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ABSTRACT

The materials in this resource unit for Grade Nine focus on farm problems as a case study for supply and demand analysis. The unit emphasizes a problem-solving approach. Students define the farm problems, set up and test hypotheses about causes of the problems, and investigate courses of action. An outline of the content of the unit precedes detailed guidelines for achieving specified learning objectives--attitudes, skills, and generalizations. A bibliography notes books and special references, pamphlets, periodicals, U.S. Government reports, and newspaper series on the subject of farm problems. The rationale for the development of this unit for supply and demand analysis is given in a background paper by Darrell R. Lewis. Four basic market models are characterized and major analytical and topical approaches to American farm problems are explored. The paper is concluded by an annotated bibliography of resource materials and graphs which illustrate market models and statistics on supply and demand. Related documents are SO 005 451 through SO 005 454; SO 005 456; and SO 005 457. (SHM)

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ED 073995

Grade Nine
Unit III: FARM PROBLEMS

RESOURCE UNIT

SP 005 455

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1968

INTRODUCTION

Unit three uses the farm problem or farm problems as a case study for su analysis. Farm problems were chosen because the production and consumption of clearly approximates a pure competitive market in which no simgle supplier or quantity and/or price of a product.

The unit emphasizes a problem-solving approach. Students define the farm test hypotheses about the causes of the problem(s), and investigate alternati During the investigation of alternatives, they must separate values from non- check to find out what has happened as a result of different kinds of farm le tentative judgements. The unit should help students learn a process of inquir problem involving policy making and value conflicts. They should see more cle analysis in helping people not only analyze problems but also choose courses prediction of consequences of different courses.

Teachers in urban areas should probably include considerable emphasis at those aspects of the farm problem which concern urban areas most directly. The super-market boycotts, competition for jobs from rural migrants, etc. By using concerns of urban dwellers, other aspects of the total farm problem will be re result of students' comments and questions.

Teachers should note that any outline of content for this unit must be re include recent developments. As production and prices of farm commodities vary the economic situation of farmers. Production, price, income and other statis up-dating. The United States Department of Agriculture is probably the best s agricultural data.

INTRODUCTION

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CONDENSED OUTLINE OF CONTENT

I. There is no one farm problem in the U. S., but rather, there are a series of farm problems reflecting the values and perspectives of those persons or groups which are directly or indirectly affected by farming.

A. Farmers themselves are not agreed as to the nature of farm problems, their causes, or solutions.

B. Consumers see the farm problem as rising and fluctuating prices for farm produce purchased at grocery stores. They view import quotas on dairy and beef products as being costly to them. Urban consumers would like an end to farm surpluses and support programs which must be paid for through tax dollars.

C. Humanitarians view as paradoxical the fact that the U. S. should discourage farm production when world hunger exists.

D. Economists see many of the beforementioned problems as really only being symtomatic of a larger problem, namely that excess resources are being used in agricultural resources which could be used better in other areas of the economy. (Examples of excesses would be: (1) The excessive number of persons engaged in farming at the present time. Fully one half of the persons engaged in farming could leave and production levels would not be decreased; (2) If farm production and consumption were determined by supply and demand rather than through government programs, farm production surpluses would take care of themselves at no cost to the urban dweller. The urban taxpayer would probably pay lower prices for farm products. However, urban taxpayers would find that retraining programs and welfare costs would have to be borne until farmers could be equipped to live in an urban setting.)

II. The basic causes of the American farm problems are to be found in a combination of four conditions, no one of which alone would have caused them. (It is very misleading to talk of "the" farm problem.) Actually, the changes which have

occurred in farm incomes suggest the presence of both a long-run problem and a short-run problem. The long-run problem concerns those forces which have caused farm prices and incomes to decline over a period of years. The short-run problem has to do with the sharp changes in farmer's income from year to year.

A. The causes of farm problems cannot be understood without some understanding of the effects of supply and demand upon price.

B. The cause of the short-run problem, of extreme fluctuations in product prices and farm income, can be attributed to the inelastic nature of demand for agricultural products. (i.e., Relatively small changes in demand or supply result in relatively larger changes in agricultural prices and farm incomes.)

C. The causes of the long-run farm problem are embodied in the "price inelasticity" of demand for farm products and the large increases in the supply of these products which have taken place relative to modest increases in the demand for them.

D. The individual farmer is caught between selling his produce for what the market will bring and having to purchase feed, fertilizer, machinery, and labor from a market where production is semicontrolled and prices are rising.

E. As a result of the increased productivity in farming, the high costs of farming, and the low farm prices, the number of farms and persons engaged in farming has decreased markedly. However, labor does not flow freely out of agriculture to more profitable occupations at the rate necessary to avoid falling incomes. The most fundamental farm surplus is the number of farmers.

III. Because of the multiple facets and causes of farm problems, no single solution is sufficient.

A. The legislation which has been passed has included a variety of Federal programs designed to raise farm prices. The major policies have been directed either at raising farm prices directly by supporting farm prices or indirectly by reducing the supply of farm produce.

B. Many proposals have been made to deal with farm problems; each reflects the perspectives, values and goals of its proponent.

C. A number of factors makes the passage of new farm legislation to aid farmers very difficult.

D. Some proposals to expand the demand for farm products show ignorance concerning the inelastic nature of the demand for farm products.

E. Some proposals are aimed at speeding and making easier the movement of small farmers to urban areas and other jobs.

F. An ideal farm program doesn't exist, nor will it ever exist.

OBJECTIVES

OUTLINE C

A. FEELS A SENSE OF RESPONSIBILITY FOR KEEPING INFORMED ABOUT CURRENT PROBLEMS.

A. IS CURIOUS ABOUT SOCIAL DATA.

I. There is no one farm p
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directly or indirectly

S. Categorizes data.

A. IS SKEPTICAL OF THEORIES OF SINGLE CAUSATION IN THE SOCIAL SCIENCES AND EQUALLY SKEPTICAL OF PANACEAS.

S. Draws inferences from data.

A. Farmers themselves
farm problems, thei

1. The Farm Bureau
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economic freedom
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4. Dairy farmers a
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nces from data.

A. Farmers themselves are not agreed as to the nature of farm problems, their causes, or solutions.

1. The Farm Bureau sees government interference with the price market system as an infringement on farmers' economic freedom. They also believe that the farmer does not have economic power equal to that of business or labor.

2. The Farmers Union feels that government hasn't done enough with its programs to guarantee farmers an income equal to the non-farm sector of the economy.

3. The National Farmers Organization, while agreeing that farm income isn't enough, would use different tactics to achieve better farm income. Among these would be withholding actions and/or destruction of farm produce.

4. Dairy farmers and meat producers see in imports of dairy and beef products a threat to their profits and even to their existence.

TEACHING PROCEDURES

MATERI

Initiatory Activities

1. Prepare a bulletin board entitled "Farm Problems." Use pictures and newspaper articles to highlight some of the significant aspects of these problems. Ask for volunteers to keep the display up to date.

2. Use a newspaper editorial or other source which points up an aspect of "the farm problem' to initiate a discussion on what "the problem" is. Use this as a motivational discussion and try to raise numerous questions--not to answer them.

For examples,
The N.F.O. Re
National Farm

3. Assign each member of the class the task of interviewing at least two adults and recording their answers to the following questions:

   1. What is the farm problem?
   2. What is the cause of the problem?
   3. How do you think the problem can best be solved?

   The answers for each adult should be recorded separately. Have a committee do two things: (a) categorize the replies to each question, and (b) categorize the responses to question three for the adults who mentioned each causal factor. The committee should prepare a transparency to show their findings.

   Project the first transparency showing the categories of responses to question 1. Discuss: Do these adults see the problem in the same way? If not, what differences are there among the replies? (Do some see them from the standpoint of farmers? from the standpoint of consumers? from the standpoint of humanitarians worried about the hungry of the world?) Have we mentioned in class any type of farm problem which was

MATERIALS

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For examples, see: Farm Journal.
The N.F.O. Reporter.
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7. Family farms are going under
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8. Migrant laborers are at the
pay structure. These persons
criteria, live in poverty.

B. Consumers see the farm problem
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for through tax dollars.

C. Humanitarians view as paradoxica
should discourage farm productio
exists.

S. Checks on the bias of sources of information.

5. Wheat, corn, cotton, and soybean growers wish to expand their exports and look critically at programs which might result in antagonizing foreign buyers.

6. Tobacco growers are apprehensive that public concern over the effect of smoking on health will result in increased government regulation and decreased production.

7. Family farms are going under and the cry is heard, "protect the family farm."

8. Migrant laborers are at the bottom of the agricultural pay structure. These persons, by any economic criteria, live in poverty.

B. Consumers see the farm problem as rising and flucuating prices for farm produce purchased at grocery stores. They view import quotas on dairy and beef products as being costly to them. Urban consumers would like an end to farm surpluses and support programs which must be paid for through tax dollars.

C. Humanitarians view as paradoxical the fact that the U.S. should discourage farm production when world hunger exists.

of sources of

not raised by one of these adults? If so, why do you think no one mentioned it among the group we interviewed? (Relate to typesof person interviewed, in terms of occupation, where they live, etc.)

Now project the second trasparency showing the categories of responses to question 2. Discuss: Do these adults seem to agree on the causes of the farm problem? If not, what differences do you see? What other causes can you suggest at the present time for the problems identified thus far as possible problems? (Make a complete list of possible causes.)

Now project the third transparency showing the categories of responses to question # 3. Discuss: How much agreement was there among the adults about possible solutions? Project transparency four showing the solutions mentioned for each category of causes. Ask: What relationships were there, if any, between suggested causes and suggested solutions? Can you think at this time of any other possible solutions for some of the problems suggested? (Make a complete list of them.)

It would be possible to omit the committee work prior to the discussion and merely duscuss responses to each question. If so, attempt to have pupils identify some categories in class and discuss similar questions as those raised in the above paragraphs. You may wish to tape this discussion and replay it later in the unit for re-evaluation of initial hypotheses.

4. Show the film: The Farmers' Dilemma. This film stresses the farmers' point of view and is quite biased. Students should note the values and perspective of farmers as shown in the film.

Film: The
Archer Da
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Film: The Farmers' Dilemma,
Archer Daniels Midland Co.,
Minneapolis.

S. Checks on the bias of sources.

S. Identifies value-conflicts.

S. Identifies factual questions which need to be answered in debates over courses of action involving value-conflicts.

S. Recognizes differences in the difficulty of proving statements. Distinguishes between facts, inferences, estimates and value judgements.

A. RESPECTS THE SCIENTIFIC METHOD AND RATIONAL THOUGHT AS APPLIED TO SOCIAL AS WELL AS TO NATURAL DATA.

S. Identifies and defines problem, determines causes of the problem, considers possible consequences of alternative courses of action, evaluates them in the light of basic values (listing arguments for and against each proposal) and selects the course of action which seems most likely to prove helpful in achieving the desired goal.

5. Have pupils read several conflicting and value-laden analyses of what should be done about the farm problem.(You could use the editorials or other sources from activity # 2 here.) Ask: Why do you think these suggestions differ so much? Have pupils identify the value terms used. Also have them identify differences which arise because of differences in values, those which arise because of difference in identification of problems, and those that arise because of differences in inferences about the problem and its causes. (Review what pupils learned in earlier units about the difference between facts, inferences, and value judgements.)

6. Use these conflicting viewpoonts and those found among the adults interviewed to point out the importance of a more scientific analysis of the farm problem or problems.

   Review scientific method of analysis discussed in Unit 1. What was a science? What methods did we decide to use? What essential steps were necessary?

   In problem-solving, the first step is to define the problem clearly. Allow the class to discover that we really cannot solve the farm problem until we know first what the problem is or what the problems are. One way in which this might be done would be to give an example not related to the farm problem -- such as a teacher's strike in their community. Ask: For whom would this be a problem? Why? What criteria would you use to determine this? How would you measure whether your criteria were met? Would all persons agree? Why or why not?

S. Identifies and defines problems.

S. Sets up hypotheses.

S. Identifies and defines problem.

S. Sets up sub-questions to guide collection of data.

S. Sets up hypotheses.

S. Deduces possible consequents of hypotheses (If-then statements) to guide collection of data.

S. Sets up some appropriate way of testing hypotheses.

S. Uses yearbooks and specialized statistical references.

S. Develops charts and graphs to clarify ideas.

Developmental Activities.

7. After you have reviewed the problems of defining a problem, ask the students to describe the farm problem as best as they can. Try to get as many descriptions as possible to add to or modify the list developed in activity # 3. Record these statements as hypotheses for verification later.

8. Mention that if farm problems do exist--and from all the disucssion many think they do--we should be able to find evidence for each of the problems. Divide the class into 6 or 7 groups. Assign to each group one of the following possible problem areas: (1) potential destruction of family farms, (2) farm poverty, (3) costs of government farm programs, (4) high costs of farming, (5) food prices for consumers, (6) relationship of imports to exports, and (7) world food needs.

   See bibliography.

   Have each group develop a series of sub-questions to guide their study in order to determine whether or not there is a "farm problem" in relationship to their topic. Or they could set up hypotheses about possible problems and deduce consequences from them in terms of if-then statements which would be true if the hypothesis were true. They could then use these if-then statements to guide their collection of information.

   Each group should check books, magazines, newspapers, and especially statistical sources and graphs and charts. Each group should prepare graphs, charts and tables which will clarify for the rest of the class some evidence on whether or not a farm problem seems to exist in its "area." Allow library and reference time and several days for the group

   Statistical references. bibliography.

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Statistical references. See bibliography.

S. Makes effective group oral presentations.

S. Helps create and preserve an atmosphere in which all members of the group feel secure and anxious to participate.

S. Accepts his share of responsibility for the work of a group; participates actively without trying to dominate.

to complete their assignment.

Before pupils begin work on these projects, review with them the ways in which such groups can organize their work efficiently. Since this is the first time during the year when group reports are used, review with the class the types of group presentations which might be used in presenting data such as symposiums, panel discussions, role-playing, etc. Make sure that pupils understand the differences between these types and the advantages of each for certain kinds of topics. Also discuss effective ways of presenting each type.

Ask the different groups to meet and organize at this time. Also ask them to give you a brief report at the end of the hour on what has been done. (Perhaps give the groups a form for such a report. It might include sections to be filled in on the chairman chosen, the hypotheses and deduced if-then statements developed or the sub-questions identified, the assignment of immediate jobs to different students, and the kinds of references which the group thinks it should use.

Continue to ask for progress reports from time to time during the days while groups are working. For example, you could ask for progress reports every three or four days during the period when you are handling activities # 9-17. These reports should include statements about the problems students are having in trying to locate information, understand certain ideas, or find answers to certain questions which they now have. The teacher can read the reports over night and make suggestions to each group either in writing or during a period when the other groups are working or when the rest of the pupils are studying something else. From time to time give committees a chance to do more work during the class period.

D. Economists see many of the beforementioned problems as really only being symtomatic of a larger problem, namely that excess resources are being used in agriculture resources which could be used better in other areas of the economy. (Examples of excesses would be : (1) The excessive number of persons engaged in farming at the present time. Fully one half of the persons engaged in farming could leave and production levels would not be decreased; (2) If farm production and consumption were determined by supply and demand rather than through government programs, farm production surpluses would take care of themselves at no cost to the urban dweller. The urban taxpayer would probably pay lower prices for farm products. However, urban taxpayers would find that retraining programs and welfare costs would have to be borne until farmers could be equipped to live in an urban setting.)

Before groups make their presentations, you may wish to do the following:

(a) The group should prepare an outline of the ideas which they think should be included in their group presentation. They should add a statement about how they now plan to make this presentation, and they should include a list of the references consulted. The teacher should check over these, make suggestions to the group, and give them additional time to work if this seems necessary.

(b) Let each group go into a special workroom (or work after-school or during some other time) to tape its presentation, using a tape recorder. It should play back its own tape and try to decide what the group might do to improve its presentation. The teacher might also listen to the tape and make suggestions for improvements.

Note: The next section of the outline of contents will be developed in activities after the group reports are presented. At this time, while groups investigate the different facets of the farm problem, the teacher can begin class activities designed to explain the relationship of supply and demand to the price and quantity of goods and services (part II of the outline of contents).

G. Other things being equal (in a competitive market), the lower the price, the greater the demand usually is; the higher the price, the less the demand usually is.

S. Generalizes from data.

S. Sets up hypotheses.

11. The basic causes of the Americ
found in a combination of four
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G. Other things being equal (in a competitive market), the lower the price, the greater the demand usually is; the higher the price, the less the demand usually is.

S. Applies previously-learned concepts and generalizations.

11. The basic causes of the American farm problems are to be found in a combination of four conditions, no one of which alone would have caused them. (It is very misleading to talk of "the" farm problem.) Actually, the changes which have occurred in farm incomes suggest the presence of both a long-run problem and a short-run problem. The long-run problem concerns those forces which have caused farm prices and incomes to decline over a period of years. The short-run problem has to do with the sharp changes in farmer's income from year to year.

    A. The causes of farm problems cannot be understood without some understanding of the effects of supply and demand upon price.

        1. Other things being equal, the lower the price for a product, the higher the demand for it; the higher the price for a product, the lower the demand for it.

9. In order to show the slope of a demand curve (downward to the right), pick up any convenient article that might have appeal to ninth graders (i.e., Beatle records, baseball, etc.). Ask for hands on how many in the class would buy this if it cost $10.00 (or some high amount). Tell students to assume that each of them receives a weekly allowance of $2.00. Gradually lower the price, asking each time how many would buy the item. (Tell students that they can raise their hands only once to indicate their demand.) Gradually get the price down to 1 or 2¢ (or some very low amount). As this is done, tabulate the "votes" on the board. In your tabulation you can assume that any person who would buy the product at $10.00 would buy it at all of the lower prices. Thus as you have lowered your product price, the total demand for the product should be higher. Ask: What happened? (More tends to be bought the lower the price.) Would this tend to be true of most products you can think of? Why or why not? Have each pupil set up a hypothesis based on this evidence.

10. Review concepts of demand gained from market games played in previous units. Relate these to the example in the previous activity.

S. Interprets graphs.

S. Develops charts and graphs in order to clarify ideas.

S. Tests hypotheses against data.

S. Sets up hypotheses.

G. The quantity of a specific product or service which will be demanded at a specific price depends upon: (1) consumer desires (2) availability of alternative goods and services, (3) the prices of alternative goods and services, and (4) the amount of money consumers have and are willing to spend.

2. The amount of a product buy (their demand) at a variety of reasons. The price depends upon:

   a. consumer desires

   b. availability of alter

   c. the amount of money spend

   d. the prices of alterna

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nds upon: (1) con-
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of money consumers have
spend.

2. The amount of a product which people are willing to buy (their demand) at any one price may shift for a variety of reasons. The quantity demanded at one price depends upon:

   a. consumer desires

   b. availability of alternative goods.

   c. the amount of money consumers have and desire to spend

   d. the prices of alternative goods.

11. Give a demonstration of basic line graphing skills. (Coordinate system). Explain the two axes (or better yet, draw them and allow the mathematicians in the class to tell the others what they are.) Indicate (or have the class indicate) how a pair of members (coordinates) determine a point. Give out graph paper and check to see that each pupil is able to plot the points of activity # 9. Graph paper.

12. Take another object and repeat activity # 9. Construct a demand table. Then have the class assist in graphing the data shwon on the table. After the points are all placed on the board, connect the points with a line. Again call on class members to read the graph. Ask: Do you wish to change the hypothesis you set up after examining the demand for _____ (refers to item used in activity # 9.) (Taking each step slowly here will greatly assist the several students who may tend to "tune out" on this activity as being difficult.

13. Refer to the article and demand table developed in Activity # 12. Ask: Is this line or are these numbers likely to change? In other words, would you be likely to buy more (or less) of this product at any particular price? What would cause this change? (List on the board as many factors as they can think of which might cause this "shift in demand.")

    Illustrate with new lines a shift to increased demand and a shift to decreased demand. Be sure to point out the difference between a change in demand and difference in the quantity demanded at each price. (New line for the former, movement along the same line for latter.)

14. Ask the class to guess for each of the following situations what would happen to demand in the following cases. (Explain that the word "people" refers to those whose aggregate demand is indicated on graphs.)

    1) If people no longer liked or preferred the product (i.e., their taste for it dropped).

    2) If people were making more money (i.e., higher level of living or higher incomes).

    3) If population increased.

    4) Assuming our previous demand curve was the people's demand for pepsi cola, what would happen if the price of coke dropped about one-half?

    5) Assuming that most people prefer to have candy bars whenever they drink "pepsi", what would happen to the demand for pepsi if the price of candy bars was doubled?

    Discuss each case; do not pronounce pupils' ideas right or wrong. Allow them to develop hypotheses. Encourage other examples.

    (You might use this activity as an exercise. Have each student show how each of these factors would create a change from the original demand curve. They could show this on five separate graphs. Then compare graphs made by the different students.)

S. Develops charts and graphs in order to clarify ideas.

G. The elasticity of the demand for goods varies; for some essential goods, demand does not differ much regardless of the price.

G. When the demand for a good is inelastic, a relatively large decline in the price of the product brings about only a small increase in the consumption of the product.

3. The elasticity of
some products is v
not much greater w

S. Applies previously-learned concepts and generalizations.

S. Identifies and defines problems.

Note: The next 4 activities

G. Even in so-called prosperous times, not all people enjoy levels of living which most consider necessary for an adequate level of living. Productive goods and services are divided unequally among the population.

G. Any group which faces declining income for whatever reason (such as declining prices for their products, declining wages, etc.) will face reduced levels of living if the prices of the things they buy remain the same or increase.

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3. The elasticity of demand varies. The demand for some products is very inelastic; that is, it is not much greater when prices are reduced.

Note: The next 4 activities return to Part I of the Unit.

15. Have students use graph paper to draw a graph which they think would show the demand for Honda motorbikes. Discuss the shape and direction of their demand curves.

    Now ask pupils to draw the demand curve for a life saving drug such as penicillin. Ask: What are the differences between the demand curve for these products? Explain that economists call this difference "elasticity." Use the graph to point out the great differences in quantity demanded with a price change (more elastic) as compared to small differences in quantity demanded with a price change (more inelastic).

16. Have each student list five pairs of items of which one seems to him to be significantly more elastic than the second. Discuss examples from the local area.

17. Give a brief quiz to evaluate the students' ability to draw graphs of demand and to recognize a shift in demand and relative elasticity. Discuss quiz results.

18. Have the committees designated in Activity # 8 give their reports on what they think is "the farm problem." In class disucssion, allow others to ask questions of the committee members, check their graphs, question their evidence, and clarify the problems.

    Before any of the group presentations is made, discuss the importance of the class' role as listeners during a group presentation or any oral report and their role as participants after the presentation is over. Review ways of taking notes on a single report. (Perhaps project different types of note systems which might be used for organized speeches or reports, panel discussions, and a mixed system for the organized presentations in symposia and the later discussion

A. IS SCEPTICAL OF SINGLE-FACTOR THEORIES OF CAUSATION.

S. Identifies and defines problems.

A. RESPECTS THE SCIENTIFIC METHOD AND RATIONAL THOUGHT AS APPLIED TO SOCIAL AS WELL AS TO NATURAL DATA.

S. Sets up hypotheses.

part of a symposium. Discuss the reasons for modifying note-taking for different types of oral presentations and the importance of organizing notes afterwards, particularly after a discussion.

After the first group report, collect pupils' notes, read them, and make written suggestions for improvement. Perhaps project one or two examples of good and poor notes (being careful to hide names of students) and discuss what makes each set good or bad.

19. If the student reports have left untouched or undefined certain aspects of the farm problem, you may wish to assign additional readings, bring in a guest speaker, or use the film, The Land. This film is 60 minutes long and does an excellent job of reviewing many aspects of the farm problem.

Film: The Land, 6
See bibliography

20. In order to evaluate student knowledge concerning various aspects of farm problems, use a series of short answer essays, such as: Is inadequate income a problem for all farmers? Why or why not? In your answer justify your conclusions through use of concrete examples and numerical data.

21. Hold a concluding discussion on the nature of farm problems. Use some of the students' answers to the essay question as points of departure for the discussion.

Return to the stages of problem solving which have been analyzed earlier. Ask: Whichstep or steps have we taken this far? (Defining the problem.) Now point out that it is necessary to move on to the stage of investigating the causes of the problem. Ask: How will clear definitions of the problem help us at this stage? If this has not been done already in group reports, have pupils hypothesize about the causes of the different problems. If necessary, use questions designed to get students to hypothesize about the relationship of supply and demand and prices to the different farm problems

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G. Other things being equal (in a competitive market), the higher the price of a good, the larger the quantity which will become available for sale; the lower the price, the smaller the quantity which will become available for sale. However, there may be a time lag before producers increase or decrease production.

4. Other things being equal, t
for a product, the more peo
of that product; the lower
they will produce.

S. Interprets graphs.

S. Sets up hypotheses.

S. Develops charts and graphs in order to clarify ideas.

G. Economic output is affected by the quantity and quality of productive resources (land or natural resources, labor, and capital goods), by the level of technology, and by the efficiency of the organizational structure.

S. Interprets graphs.

5. The amount producers of a p
specific price may shift fo
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affected by factors other t

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b. The costs of farm produc

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4. Other things being equal, the higher the price for a product, the more people will produce of that product; the lower the price, the less they will produce.

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5. The amount producers of a product offer for sale at a specific price may shift for a number of reasons. The supply of farm products available will be affected by factors other than price, such as:

   a. The quantity and quality of productive resources (land, or natural resources, labor, and capital).

   b. The costs of farm production.

identified so far. Keep a written list of these hypotheses to test later.

22. As seen earlier, students must understand the relationship of supply and demand to farm prices in order to understand the causes of the farm problem. Before the market and price determination can be shown, the supply concept must be discussed. Review the concept of demand briefly at this time. Then turn to the concept of supply. For example, ask students to imagine that they are owners of a company that produces baseballs (or pizzas or Beatle records, or something appealing to this age group). If people would pay only 5 or 10¢ for your baseballs (hold item up) how many would you be willing to make? What if they were willing to pay $1.00, $2.00, $10.00, $25.00 each? (Note this can be done for one company's quantity. Or ask how many would enter the baseball market--for their own company-and begin producing at any specified price.) Write the supply schedule on the board. Ask: How did you decide how much you would supply? Why?

23. Review graphing skills and then have the class graph the supply schedule developed in the previous activity. Ask: Why does the curve move up and to the right? What hypotheses can you make about supply? Would the supply curve always look like this? Can you think of cases in which it might not? (Set up hypotheses about the possibilities.)

24. Discuss: Would the supply curve ever be likely to move (shift off this line? Why or why not)? If it were possible to move to one side or the other, what would cause it to do this? (Move the curve to a new position.) Then ask: What can we now say about our new supply curve? Can you think of any goods which have had a supply curve shift either way?

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S. Applies previously-learned concepts and generalizations to new data.

G. Certain basic economic questions related to allocation are answered or resolved in some fashion by every society, although perhaps in no other way than by tradition. These questions are: (1) What and how much of each good or service shall be

6. Producers decide wha our economy, but the market. Supply and d duction operate thr a great extent, w is produced.

c. The level of technology.

d. The nature of consumer demand.

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6. Producers decide what and how much to produce in our economy, but their decisions are affected by the market. Supply and demand of various factors of production operate through the market to determine, to a great extent, who will get what part of what is is produced.

25. Ask each pupil to write his answers to the following questions: What would happen to the supply if:
    a) The price of one of the important materials used to produce your product were to rise very high?
    b) Some genius figured out a much faster and easier way to make your product?
    c) Everybody in the market except you decided to make bicycles instead.

    Discuss the student's answers.

26. Review the idea of elasticity. What does the term mean? What principle was involved when we talked about demand elasticity? Would this idea fit the supply picture? Can supply vary with elasticity? If it did, how would it look? What goods would you expect to have a more elastic supply curve than most? List some goods which you think would have inelastic supply curves.

27. You might also set up a continuum of elasticity and ask students to place goods and services along this continuum. (This exercise should help you find out if pupils understand the concept of elasticity.)

28. Refer the class back to the basic questions every economy answers in some fashion. (Use the list developed in unit one). Ask: In our economy how are decisions made about what shall be produced? Do demand and supply have anything to do with this decision? How? In our economy, how are decisions made about who will get goods and services? What determines what the price is for these goods and services?

produced? (2) How much shall be produced in total? (3) How shall these goods and services be produced? (4) How shall these goods and services be distributed among the population?

G. In a private enterprise system, it is the market which determines largely what shall be produced and how much shall be produced.

G. Demand affects the supply of goods and services by affecting prices. Other things being equal, the higher the price for a good, the larger the quantity which will become available for sale.

G. The money incomes people receive, whether in the form of wages, interest, rent, or profits, is the chief determiner of their share of the national putput.

G. Other things being equal, the price of a good rises when the good is in short supply as compared to the demand for the good and falls when the supply of the good is larger than the demand at the existing price.

G. Other things being equal (in a competitive market), the higher the price of a good, the larger the quantity which will become available for sale; the lower the price, the smaller the quantity which will become available for sale. However, there may be a time lag before producers increase or decrease production.

29. Ask the class to imagine that they are the owners of a company making baseballs (or whatever item is being used). Ask: How will you decide at what price this item shall sell? Choose a price. How did you choose it? Why didn't you choose some other price? Will you ever change that price? What might induce you to change it? (Ask other questions to obtain thought about market pricing.)

    Say: Imagine that your price for baseballs is too high and no one is buying them. What could you do? Why would that help? Can you think of some examples when this might not help? Imagine that your price is very low and you cannot produce all of the baseballs demanded at that price. What would you do? Why?

S. Interprets graphs.

S. Sets up hypotheses.

G. The elasticity of the demand for goods varies; for some essential goods, demand does not differ much regardless of the price.

B. The cause of the short-ru
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S. Tests hypotheses against data.

G. When the demand for a good is inelastic, a relatively large decline in the price of the product brings about only a small increase in the consumption of the product.

G. If producers are unorganized, harder work by each one may lead to greater production, a fall in prices, and so less income for each one.

3. Since individual farmer
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B. The cause of the short-run problem, of extreme flucuations in product prices and farm income, can be attributed to the inelastic nature of demand for agricultural products. (i.e., Relatively small changes in demand or supply result in relatively larger changes in agricultural prices and farm incomes.)

1. Farmers have very little control over total agricultural production because of weather factors and because each farmer is an independent producer.

2. Farming is unlike oligopolistic industries where a small number of producers can expand or restrict production as best suits their needs.

3. Since individual farmers can't affect the total supply, they tend to produce as much as is possible, hoping that either total supply will be less or total demand will increase. However, since there tends to be an inelastic demand for food products, the increased supply which results from these individual efforts in good agricultural years tends to push farm prices low enough to keep income the same or even to reduce the income of farmers despite their increased production.

You could use the simple market model provided in the Appendix (or make up your own) to introduce the class graphically to market price determination. Relate this analysis to the baseball examples discussed previously. Encourage hypothesizing and look for exceptions.

See: "Market Model C
and "A Baseball Mar
Appendix.

30. Now move from the simple baseball model to a more "real world" example. Ask the class to examine the farmers' market. Ask: From the evidence you found earlier, what would you hypothesize about the demand curve for food? Are people willing to buy more at a lower price? Would you expect that most foods would have an elastic or inelastic demand? In plain words, what does this mean? Looking at the "big picture," would you guess that there have been shifts in this demand for food products? Why or why not? If so, what would cause this shift?

31. To dramatize demand inelasticity have the class work this example. (Have them do their own computation.)

Example from: Dext
What Makes Farmers
U.S. Department of
p. 9.

1954-Potato farmers raised 220 million CWT and sold them for an average price of $2.16 per CWT. What was their total return? (220 x $2.16 = $395 million)

1955-They produced 227 million CWT and avarage prices were $1.79 per CWT. What was the total return to potato farmers that year? (227 x $1.79 = $339 million) How would you explain this reduced income? Why don't farmers reduce their production greatly when prices fall?

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See:"Market Model Graphically"
and "A Baseball Market" in
Appendix.

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What Makes Farmers' Prices?,
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reduced income? Why don't farmers reduce
greatly when prices fall?

G. Competition exists where there are a number of sellers of a product or service and no single seller can dominate or control the market price.

G. The elasticity of the demand for goods varies; for some essential goods, demand does not differ much regardless of the price.

S. Interprets graphs.

S. Uses simple statistical devices to analyze data.

S. Sets up hypotheses.

S. Sets up hypotheses.

G. At any specific time, the total economic output is affected by the quantity and quality of productive resources (land or natural resources, labor, and capital goods), by the level of technology, and by the efficiency of the organizational structure.

C. The causes of the long-run f
in the "price inelasticity"
products and the large incre
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1. Total productivity has be
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a. In 1820 each farm work
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b. This increase in produ
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of technology, and by the efficiency
organizational structure.

C. The causes of the long-run farm problem are embodied in the "price inelasticity" of demand for farm products and the large increases in the supply of these products which have taken place relative to modest increases in the demand for them.

1. Total productivity has been growing very rapidly in agriculture.

   a. In 1820 each farm worker produced enough food and fibre to support four persons. In 1966 each farm worker produced enough food and fibre to support 32 persons.

   b. This increase in productivity has been brought about through widespread mechanization, improved techniques of land management and soil conservation, irrigation, the development of hybrid crops, and improved breeds of livestock.

32. Ask: How many of you get an allowance? How much more food would you eat if your allowance were doubled? Why? How much more food would your mother buy at the store if your dad got a raise which doubled his salary? Why?

33. Duplicate and distribute the graph "Some indexes of farm production." Ask: What does this graph show? What is the meaning of an "index?" What is meant by 1947-49 = 100? What hypotheses might be formulated about the causes of the farm problem from this evidence?

    Have a few students study other production indexes as well as absolute production figures for certain commodities.

    See graph: Production

34. Place on the chalk board the statement: "In 1820 each farm worker produced enough food and fiber to support four persons. By 1961 each farmer produced enough to support twenty-six peiple." Ask: What do these figures indicate? How do you think this increase in production per farmer has been possible? (Have the students support their hypotheses with evidence.)

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See graph: "Some indexes of Farm Production" in Appendix.

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S. Sets up hypotheses.

S. Intertrets graphs.

S. Generalizes from data.

G. The elasticity of the demand for goods varies; for some essential goods, demand does not differ much regardless of the price.

C. People with higher incomes tend to spend a smaller percent of their income on food than do people with lower incomes.

S. Interprets graphs.

S. Sets up hypotheses.

S. Interprets graphs.

G. It is demand, backed by the ability and willingness to pay for goods at specific prices which affects the market; people's wants do not affect the market unless they are turned into effective demand.

2. The total demand for agricultural pr
grown slowly.

a. Increases in the incomes of Ameri
lead to less than proportionate i
expenditures on farm products.

b. Foreign markets, while important t
agriculture, have not grown large e
pick up the slack in American cons

i) Underdeveloped countries dietar
low and their purchasing power

2. The total demand for agricultural products has grown slowly.

   a. Increases in the incomes of American consumers lead to less than proportionate increases in expenditures on farm products.

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   b. Foreign markets, while important to American agriculture, have not grown large enough to pick up the slack in American consumer demand.

      i) Underdeveloped countries dietary levels are low and their purchasing power is small.

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oods at specific
market; people's
market unless they
e demand.

35. Duplicate and distribute the graph entitled "Income and Food Spending." Instruct the class to read the graph. Ask: What does it say? What hypotheses can you make about the farm problem from this evidence? Clarify questions about the graph but allow the students to develop their own generalizations.

See graph for Food,

36. Duplicate and distribute the graph entitled: "Per-capita Consumption of Two Foods." What can we learn from this graph? What is meant by "per capita?" Have students compare this graph with the population graph distributed in unit one, and with the graph of the indexes of farm production. Students should study percentage changes. Ask: What observations can you make from this evidence?

See graph of Two Fo

37. Duplicate and distribute the graph entitled: "Population." Ask: What is indicated on this graph? What hypotheses can you develop from this evidence?

See graph Appendix.

38. Show pupils a graph (or have a student make a graph) showing sales of selected U.S. agricultural products abroad over a period of some years. Discuss: Have these foreign sales filled the gap between consumer demand for American agridultural products and the increased production of farm products in the U.S? Why do you think foreign sales have not increased more than this when there are so many people in the world who are hungry?

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the class to read the graph. Ask: What
ypotheses can you make about the farm
idence? Clarify questions about the
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See graph: "Income and Spending for Food," in Appendix.

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percentage changes. Ask: What
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See graph: "Per Capita Consumption of Two Foods," in Appendix.

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this evidence?

See graph: "Population," in Appendix.

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2) The countries of Wes
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S. Interprets graphs.

S. Sets up hypotheses.

G. Adjustment of supply to demand is hampered by factors which decrease mobility of productive resources.
(a) People's attitudes toward where they live reduce labor mobility.
(b) Increasing specialization and diversity of skills needed for different jobs reduce labor mobility.
(c) Artificial payments to increase income over and above that which labor or producer could receive in the competitive market tends to reduce mobility of labor and producers.

G. Levels of living are affected by the amount of goods and services which money incomes can buy, not just by changes in money incomes which may be offset by changes in prices of goods to be purchased.

D. The individual farmer is caug
produce for what the market w
purchase feed, fertilizer, ma
a market where production is
are rising.

E. As a result of the increased
the high costs of farming, an
the number of farms and perso
decreased markedly. However,
freely out of agriculture to
occupations at the rate neces
incomes. The most fundamenta
the number of farmers.

2) The countries of Western Europe have rising farm productivity and most of them have tight restrictions on imports of farm goods.

D. The individual farmer is caught between selling his produce for what the market will bring and having to purchase feed, fertilizer, machinery, and labor from a market where production is semicontrolled and prices are rising.

E. As a result of the increased productivity in farming, the high costs of farming, and the low farm prices, the number of farms and persons engaged in farming has decreased markedly. However, labor does not flow freely out of agriculture to more profitable occupations at the rate necessary to avoid falling incomes. The most fundamental farm surplus is the number of farmers.

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(Briefly, raise the issue of purchasing power of countries with very low dietary levels to emphasize the difference between wants and demand. Also point out the rising farm productivity in countries such as Western Europe where purchasing power is higher.)

39. Duplicate and distribute the graph entitled "Income." Ask: What is indicated on this graph? What hypotheses can we make from this evidence? Compare this graph with the one on "Population." Compare percentage changes. Ask: Why has the farmer been so slow in leaving agriculture?

See graphs: "Population"

Have pupils examine the graph, "Prices Paid and Prices Received." Ask: What would have happened to farmers' real incomes during the period of the early 1940's? (Review meaning of concept of real income.) What would have happened to farmers' real incomes during the 1920's? the 1950's? Why?

See graph: Prices Recei

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See graphs: "Income" and "Population" in Appendix.

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during the period of the early 1940's?
ng of concept of real income.) What would
to farmers' real incomes during the 1920's?
Why?

See graph: "Prices Paid and Prices Received," in Appendix.

S. Applies previously-learned concepts and generalizations.

S. Constructs graphs to aid in the analysis of data.

S. Tests hypotheses against data.

S. Generalizes from data.

A. IS SCEPTICAL OF THEORIES OF SINGLE CAUSATION IN THE SOCIAL SCIENCES.

S. After determining causes of social problem, considers possible consequences of alternative courses of action.

III. Because of the miltiple face farm problems, no single so

A. RESPECTS THE SCIENTIFIC METHOD AND RATIONAL THOUGHT AS APPLIED TO SOCIAL AS WELL AS TO NATURAL DATA.

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III. Because of the miltiple facets and causes of farm problems, no single solution is sufficient.

40. Return student discussion to a graphic market description of supply and demand. Briefly review earlier concepts, and have each pupil drew a demand and supply curve for wheat (or some agricultural product this time). Ask: At what price is this good likely to be exchanged? Why? (Very briefly, review equilibrium pricing.)

    Now have each student indicate graphically what is likely to happen to his curves under the situations we have just been studying.

    (a) U.S. population increases some. (Have pupils indicate any change on their graph.)
    (b) Wheat production goes up a great deal.
    (c) People eat about the same amount of wheat per capita as they have been eating in the past.
    (d) Production increases even though fewer people remain on farms.

    Discuss these demand and supply shifts.

41. Have the class go back over its list of original hypotheses about the causes of the farm problems. They should decide which ones to eliminate or modify in the light of evidence, which ones (if any) they can accept, and what generalizations, if any, need to be added to their list of causes.

42. Once students have generalized about the causes of the farm problems, they can begin to list alternative courses of action. They may have begun such a list earlier, but they should now add to it. They should list as many alternatives as possible and try to predict possible consequences of following such alternatives. Preserve this list for future reference.

Pupils should also set up hypotheses about: (a) who would favor and who would oppose such proposals, and (b) the probable consequences of each proposal.

Tell the class that they should keep their proposals in mind as they look further at possible solutions. Some of their proposals may have been tried already or may have been proposed by others. Some may not. It might be wise to look at what has been done first, before examining their own proposals in more detail. Therefore, during the rest of the unit, the class will discuss the following questions:

(a) What kinds of government programs have been tried? What were their characteristics? How were they supposed to solve farm problems? What have been the consequences of these programs?

(b) What kinds of programs have farmers advocated? What kinds of programs has agri-business advocated? What kinds of programs have special interest citizen groups advocated? What are the characteristics of these programs? How are they supposed to solve farm problems? What have been the consequences or results of any of the programs which have been tried?

(c) What kinds of programs would class members now advocate, given the characteristics of the farm problems, the multiple causes of these problems, and the results of government and farm organization proposals? What would be the liklihood of getting the adoption of such programs? What would be the likely consequences if the programs were put into effect? Why?

S. Tests hypotheses against data.

S. Uses yearbooks and specialized statistical references.

S. Makes effective oral group presentations.

S. Presents effective oral reports.

43. Give the class a list of topics dealing with governmental programs, and programs proposed by different groups. Let them choose from among the individual and small group projects. Then give them time in class in which to investigate their topics and prepare their report to the class.

Point out that one way of testing hypotheses about probable consequences of different courses of action is to enact a proposal into law and then check on the results. Therefore, pupils should identify those aspects of the government farm program which seem most related to the proposals they made about possible ways of relieving the farm problem. They should then check the consequences of the legislation as carefully as possible. Such checking should include using statistical sources to find out how much supply decreased after legislation aimed at reducing supply or how much farm income went up after a certain piece of legislation etc. Review sources which might be used.

Before pupils begin work on these projects, have them consider the group reports presented earlier. Discuss: What might be done to improve the oral presentation of such reports? Let pupils make general suggestions, rather than suggestions to specific groups. These suggestions might be related to organization, type of presentation, and to actual oral presentation (e.g. use of notes, looking at and speaking directly to class, etc.)

Also ask the class to consider oral reports (by one person rather than a group). What factors have made some reports good and some poor? Have the class make a list of criteria for good oral reports. Develop a class scale using these criteria. This scale can then be dittoed or mimeographed and used to evaluate individual reports. Also develop a list of steps which any student should follow in trying to prepare for his report.

S. Accepts his share of responsibility for the work of a group; participates actively without trying to dominate.

S. Helps create and preserve an atmosphere in which all members of a group feel secure and anxious to participate.

(a) Is considerate of other people's feelings.

(b) Criticizes ideas, not personalities, and does so tactfully.

(c) Respects the rights and opinions of others.

S. During discussions, keeps to the point, helps move the discussion along, and searches for points of agreement.

S. Gains information by listening for main ideas, details, and to evaluate what is said.

S. Takes effective notes on oral presentations.

S. Adjusts type of note-taking to type of oral presentation.

S. Considers possible consequences of alternative courses of action.

G. Other things being equal, the price of a good rises when the good is in short supply as compared to the demand for the good and falls when the supply of the good is larger than the demand at the existing price.

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A. The legislation which has been passed has included a variety of Federal programs designed to raise farm prices. The major policies have been directed either at raising farm prices directly by supporting farm prices or indirectly by reducing the supply of farm produce.

Again ask for group progress reports or individual progress reports during the period on which pupils are preparing their presentations.

If necessary, discuss once more, before the first presentation is given, the importance of good listening techniques and note-taking techniques.

44. A group of students might report on the major pieces of agricultural legislation since 1930. What alternative choices are evident here? What was each trying to do? What were the consequences for the farmers? for others?

G. If goods are used to satisfy one want, they cannot be used to satisfy snother. The alternative cost of producing more of something than consumers wish to consume is the failure to produce as much of some other products or services which consumers do wish to consume now or in the future (e.g. perhaps exhaustion of resources for future use).

G. At any specific time, the total economic output is affected by the quantity and quality of productive resources (land or natural resources, labor, and capital goods), by the level of technology, and by the effeciency of the organizational structure.

G. Output is affected by the quality as well as the quantity of resources used.

G. Output is affected by the quality and the quantity of labor.

G. Government expenditures act just like consumer expenditures to affect allocation of resources to the production of different goods and services and to affect the total amount produced.

A. RESPECTS OBJECTIVITY AND DESIRES TO KEEP HIS VALUES FROM AFFECTING HIS INTERPRETATION OF THE EVIDENCE, ALTHOUGH RECOGNIZING THE IMPORTANT ROLE OF VALUES IN THE PROCESS OF MAKING DECISIONS ABOUT PROBLEMS WHICH DEMAND ACTION.

S. Identifies value-conflicts.

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1. One type of measure has been to limit the volume of farm produce through either acreage allotments or crop quotas to each farm.

   a. While direct controls over crop quotas would be most effective in limiting production, farmers have rejected them.

   b. Voluntary programs such as the Soil Bank have paid farmers to take land out of production. While production has been lessened through the soil bank, many farmers have just worked harder on the remaining land and crop totals haven't been reduced significantly.

Or, instead of the group report, you could have individual reports on different types of programs provided by this farm legislation. For example, you could use the following activities:

a. Have a student report on the Soil Bank Act of 1956. He should expalin how this program is designed to alleviate the farm problem.

S. Considers possible consequences of alternative courses of action.

G. Government expenditures act just like consumer expenditures to affect allocation of resources to the production of different goods and services and to affect the total amount produced.

A. RESPECTS OBJECTIVELY AND DESIRES TO KEEP HIS VALUES FROM AFFECTING HIS INTERPRETATION OF THE EVIDENCE, ALTHOUGH RECOGNIZING THE IMPORTANT ROLE OF VALUES IN THE PROCESS OF MAKING DECISIONS ABOUT PROBLEMS WHICH DEMAND ACTION.

A. EVALUATES PROPOSALS IN PART IN TERMS OF THE EFFECTS UPON INDIVIDUALS AS HUMAN BEINGS.

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2. Other programs which have been used to reduce farm surpluses are the school lunch program and the food stamp plan. In each case the recipients are subsidized by making food available at less than regular prices.

3. Since 1954 farm surpluses have been used in Food for Peace programs. By this program underdeveloped nations have been either given food surpluses, been allowed to pay for them through U.S. government long-term loans, or have purchased them through payments in their own currency.

   a. During the early 1960's shipments under this program have run at an annual rate of $1.5 to $1.7 billion dollars.

   b. Certain limits exist as to the extent to which this program can be expanded.

      1) Adequate shipping resources and storage facilities would have to be expanded.

b. Have a student report on the school lunch program and the food stamp plan. Discuss: Would these programs help solve the farm problem? How?

c. Have a pupil report on the Food for Peace Program. Then discuss its purposes, how it was supposed to achieve these purposes, and its effects. When discussing the purposes, ask: Would you rather use a program such as this to raise prices or a program which involves destroying farm products or paying farmers not to produce? Why? Use this question to suggest that pupils evaluate programs partly in terms of judging the number of goals which a program may help achieve as well as identifying conflicting goals and values.

S. Consders possible consequences of alternative courses of action.

S. Identifies value-conflicts.

G. Other things being equal, the price of a good rises when the good is in short supply as compared to the demand for the good and falls when the supply of the good is larger than the demand at the existing price.

G. If goods are used to satisfy one want, they cannot be used to satisfy another. The alternative cost of producing more of something than consumers wish to consume is the failure to produce as much of some other products or services which consumers do wish to consume now or in the future (e.g. perhaps exhausation of resources for future use).

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2) Too much help would undercut the market price for products produced by the underdeveloped nation itself.

3) Too much help could raise serious objections by other countries involved in the world trade of that commodity.

c. In 1966 Congress extended the Food For Peace legislation but added certain qualifiers.

1) Food shipments now will not come out of surpluses but rather will be planned in advance.

2) Nations now asking help must show evidence of plans for raising their own food output.

4. Another program has been to guarantee a support price at a certain percentage of parity. (Parity means keeping prices paid by farmers in balance with prices received by farmers.)

a. This program allows the farmer to loan his crop to the government at the support price at harvest time.

b. If the value of his crop should drop below the support price in the market, the farmer can turn his crop over to the government. If the price turns out to be higher than the government support price, the farmer can sell his crops on the open market.

c. Surplus crops are sold to the government and then are administered through the Commodity Credit Corporation.

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resources for future use).

d. An interested and able student might investigate the Commodity Credit Corporation to analyze how the various purchase and loan plans of the government operate to restrict supply and support prices.

Or instead of having a group of students report on major pieces of farm legislation or having individual reports, have all students read from multiple sources and take notes on the farm legislation which they come across in their reading. A general discussion could follow on the characteristics, goals, and success or lack of success of these programs.

Or give pupils a summary of the characteristics, goals, and accomplishments of major farm legislation since 1930. This list need not be exhaustive but should include representative types of legislation. It could contain legislation dealing with crop controls, support payments, conservation measures, farm loans, and import-export

G. At a specific time, the total economic output is affected by the quantity and quality of productive resources (land or natural resources, labor, and capital goods), by the level of technology, and by the efficiency of the organizational structure.

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programs. Then have students try to categorize the various programs as to aims, characteristics, and results.

45. Note: Regardless of which activities are chosen to show the characteristics, goals, and consequences of farm legislation, the concept of parity needs to be explained. It could be done through the following activities.

G. Levels of living are affected by the amount of goods and services money incomes can buy, not just by changes in money incomes which may be offset by changes in prices.

S. Applies previously-learned concepts and generalizations.

G. Other things being equal, the price of a good rises when the good is in short demand as compared to the demand for the good and falls when the supply of the good is larger than the demand at the existing price.

G. Levels of living are affected by the amount of goods and services money incomes can buy, not just by changes in money incomes which may be offset by changes in prices.

a. To dramatize the concept of "parity," pose first the following problem. Last year suppose you raised a bushel of wheat and sold it for $1.00 and bought a baseball. Baseballs were selling for $1.00 each. (Dramatize this with play money and a baseball and two students.) Now this year suppose you can get only 75¢ for your bushel of wheat and the baseball costs $1.50. How much is your wheat worth? Why? How did these prices change? How much "worse off" are you this year than last?

b. Duplicate and distribute the graph "Prices Paid and Prices Received." Ask: What can we learn from this graph? What is meant by 1910-1914 = 100? Can you see certain relationships between prices paid and prices received? Compare this with our baseball-bushel of wheat example.

See Appendix.

c. Tell the class that to keep things "fair" for the farmer, some people thought that prices farmers paid and received should stay in about the same balance as they were in 1900-1914. Ask: How would this be possible? Can you think of ways of keeping them balanced? If they got out of balance, which one could you change? How? Could you change both? Why or why not?

d. Explain to the class that the widely publicized idea of "parity" means keeping prices paid by farmers in balance with prices received by farmers. Ask the class to suppose prices paid exceed prices received. (Have pupils examine graphs of prices in the 1920's, 1930's and since 1948 for realistic examples of this difference.) Ask: What in real terms does this difference in prices mean to farmers? Refer back to our baseball-bushel of wheat example. Use other examples. Discuss how prices paid by farmers have risen and remained up. Say: Suppose it was considered very difficult to get prices paid by farmers down and you wanted to get them into balance with prices they receive? How would you go about raising the price received? How could it be "supported" up there? Would you want to do

G. People differ in the degree to which they desire economic justice or a reduction in inequalities of economic opportunity or income.

S. Considers possible consequences of alternative courses of action.

S. Identifies value-conflicts.

G. At any specific time, the total economic output is affected by the quantity and quality of productive resources (land or natural resources, labor, and capital goods), by the level of technology, and by the efficiency of the organizational structure.

G. Other things being equal, the higher the price for a good, the larger the quantity which will become available for sale.

G. Levels of living are affected by the amount of goods and services money incomes can buy, not just by changes in money incomes which may be offset by changes in prices.

G. Other things being equal, the price of a good rises when the good is in short supply as compared to the demand for the good and falls when the supply of the good is larger than the demand at the existing price.

G. The quantity of a specific product or service which will be demanded at a specific price depends upon: (a) consumer desires,

this if you could? Why or why not?

e. The "parity" pricing idea might best be illustrated by just noting that it is a higher price to which certain "prices received" by farmers might be raised to balance prices paid out. (Coming from the Latin: equal, on a par with, etc.) How do you raise this price? From what you know about market pricing, how could this price be raised if it would "normally" (in equilibrium) be lower? (Pause here to let pupils think up ideas). Could the demand be increased to raise the price? Using our example of a bushel of wheat, how could you suggest increasing demand? List the ideas on the board. This is a good chance to review demand determinants.

(b) availability of alternative goods and services, (c) the prices of alternative goods and services, and (d) the amount of money consumers are willing to spend.

G. The elasticity of demand for goods varies. For some essential goods, demand does not differ much, regardless of the price.

S. Considers probable consequences of different courses of action.

S. Interprets graphs.

G. Other things being equal, the price of a good rises when the good is in short supply as compared to the demand for the good and falls when the supply of the good is larger than the demand at the existing price.

46. Ask: How could you raise the price received by farmers by changing the supply? (Pupils are likely to suggest some of the measures reported on earlier as well as other possible measures.) At this point, after you are sure pupils understand the concept of parity, hold a general discussion on how farm legislation has tried to bring about parity for farmers.

In addition, you may wish to do the following:

a. Illustrate for the class (perhaps after first assigning it as a problem to see if they can figure it out) the classical graphic supply and demand analysis on how government loans or purchases support prices by acquiring surpluses. Any basic economic text contains this graph.

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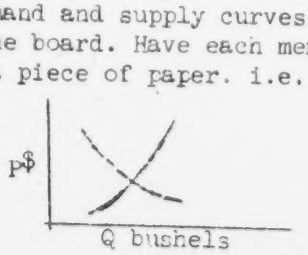
b. To illustrate graphically the recent discussion, draw the inelastic demand and supply curves for an agricultural product on the board. Have each member of the class do the same on a piece of paper. i.e.



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Have each member of the class do
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Clear graphic analysis of considerable help to the teacher may be found in any good introductory college text.
See Chapter 23 "Supply and Demand as Applied to Agriculture" in Samuelson, Economics.

bushels

G. Investment in technological research and development may lead to higher levels of technology and so to greater productivity.

S. Detects inconsistencies.

5. Some of the programs of the U.S. Department of Agriculture (and of state agricultural divisions) are inconsistent with measures to reduce surpluses.

Have each student:

(1) Show present market price (intersection).

(2) Show increasing demand (demand shifts to right) and explain what happens to the price.

(3) Show decreasing supply (supply shifts to left) and explain what happens to the price.

(4) Do the following problem: Suppose the price was $1.00 and the government wants to support the price at $2.00. Illustrate how it might do this. Show how much wheat it would have to buy.

47. Have a student report on the U.S. Department of Agriculture. (When was it founded? What is its purpose? What does it do?) Afterwards, discuss: Do you think the activities of the Department of Agriculture are consistent with each other? Why or why not? Which of them do you think might help solve the existing farm problem(s)? Why?(Students should realize that those agencies within the Department of Agriculture which help to increase farm productivity are sometimes at cross purposes with farm programs which attempt to restrict the production of certain crops such as corn, wheat, and cotton.)

48. A group of students might investigate agricultural services provided by their state. (What services are rendered by the state university, livestock and plant inspections, etc.?) Afterwards, discuss: How do these programs help farmers? How effective do you think they would be in solvling the problem(s) we have identified? Why?

S. Considers possible consequences of alternative courses of action.

A. RESPECTS OBJECTIVITY AND DESIRES TO KEEP HIS VALUES FROM AFFECTING HIS INTERPRETATION OF THE EVIDENCE, ALTHOUGH RECOGNIZING THE IMPORTANT ROLE OF VALUES IN THE PROCESS OF MAKING DECISIONS ABOUT PROBLEMS WHICH DEMAND ACTION.

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B. Many proposals have been made to deal with farm problems; each reflects the perspectives, values and goals of its proponent.

1. A major program which has been advocated has been the purchase-and-resale differential subsidy plan.

a. In this proposal farmers could grow as much as they wished and would sell their crops on the open market for any price they could obtain.

b. The difference between the support price and the market price would be made up through a direct payment to the farmer.

c. The advantage of such a program would be to reduce farm produce costs to the consumer without having to pay for farm surplus storage costs.

49. Point out that much other farm legislation has been suggested in the past. Then do one or both of the following.

    a. Have an able student report on the Brannan-Benson resale proposal. He should explain how it differed from straight support price and storage.

    b. Have a student report on current direct payment programs to aid needy farmers. Ask: How would these act to alleviate the problem?

S. Considers possible consequences of alternative courses of action.

G. In all societies people have certain economic goals. Although some economic goals are very much alike, different societies place differing emphases upon them.

G. Economic goals may not be compatible.

S. Identifies value conflicts.

G. The effectiveness of interest groups may depend on the degree of internal cohesion they can maintain within the organization and on the human and material resources they can mobilize.

A. RESPECTS OBJECTIVITY AND DESIRES TO KEEP HIS VALUES FROM AFFECTING HIS INTERPRETATION OF THE EVIDENCE, ALTHOUGH RECOGNIZING THE IMPORTANT ROLE OF VALUES IN THE PROCESS OF MAKING DECISIONS ABOUT PROBLEMS WHICH DEMAND ACTION.

2. Farm organizations have proposed co
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d. Farmers' cooperatives have tried
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2. Farm organizations have proposed conflicting ways of solving the farm problem; there proposals reflect the special interests of their members.

a. The American Farm Bureau now stands for lowering farm price supports and as little production control as possible.

b. The National Farmers Union stands for a higher price support level and tighter production controls.

c. The National Farmers Organization (NFO) wishes to set up marketing controls with buyers and processors which would guarantee the quantity and price of farm produce. To accomplish these ends they have used withholding actions on livestock and milk. At the present time they have had little tangible success, although these withholding actions have focused attention on the plight of many marginal farmers.

d. Farmers' cooperatives have tried to reduce the costs to individual farmers of some of the services provided by elevator owners and wholesalers.

50. After students have examined farm legislation, parity, and the graphic analysis of how farm programs have attempted to reach parity, the current proposals of major farm groups, special interests of agri-business, and other interested citizens should be investigated. These proposals and special interests should also be examined, using graphic supply and demand analysis. These proposals and special interests could be shown through the following activities:

a. Oral or written reports might be given on the suggestions for "solution" to the farm problem by such organizations as the Farmers'Union, the Farm Bureau and the National Grange. Discuss these proposals in class after the reports have been given.

See the organiza

b. A student might give a report on the N.F.O. and how it would like to influence agricultural markets. Or a graph, have a student indicate how a "withholding action" might influence the market. Ask: Has this actually happened? Why or why not? Have the students look for specific examples.

See the

c. An interested student might report on farm cooperatives, how they started, and how they operate. He should illustrate his talk with local examples. Afterwards discuss: How have these organizations attempted to solve farmers' problems?

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3. Non-farm suppliers, processors, and marketeers want volume. High-level farm production enables them to expand the market for farm producer goods and supplies and the volume of product processed and handled.

4. The goal of consumer groups for farm policy and farm legislation is to keep food prices from rising and reduce them if possible.

5. Organizations and persons outside of Agribusiness have advocated programs which would move the supply and demand for agricultural products closer to a pure market system.

   a. The Committee For Economic Development has put forth a very comprehensive program for agriculture. Their program advocates:

      1) A reduction of price supports over a five year period.

      2) Rural redevelopment programs.

      3) Training of those forced to leave agriculture so that they will have the skills necessary for urban living.

d. Have several students role play a discussion between representatives of various farm product processors, farm suppliers, and farm product marketeers about some of the programs or proposals to reduce farm output in order to solve the farm problem. These students should investigate the point of view of these groups and argue in terms of the interests represented by each.

e. Students might look over newspaper and magazine articles which illustrate particular organizations' goals and programs. Articles could include those dealing with import quotas, expansion of Food for Peace programs. Also include articles dealing with the desires of certain farm product processors or producers of goods for sale to farmers (seed, machines, etc.), and consumer groups concerned about high food prices. Ask: What do these groups want? How do they propose to get what they want?

f. The Committee for Economic Development has a program which it advocates as a way of bringing supply and demand in balance in agriculture. A student might present this program to the class for consideration. Then ask the class members to assume the roles of farmers and argue against the proposal.

S. Determines causes of social problem, considers possible consequences of alternative courses of action, evaluates them in the light of basic values, listing arguments for and against each proposal, and selects the course of action which seems most likely to prove helpful in achieving the desired goal.

S. Identifies value-conflicts.

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b. Willard Cochrane, agricultural economist for the Dept. of Agriculture,advocates a multi-dimensional program which would include:

1) A high level of national economic activity to maintain demand and provide opportunities outside of farming.

2) Improving resource mobility through retraining programs and employment information.

3) Controlling agricultural research so that demand and capacity are closer together.

4) Gradual reduction in price supports over a seven year period to ease the economic impact of lower prices.

5) Maintainence of reserve stocks at an optimun level for emergency situations.

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C. A number of factors makes the passage of new farm legislation to aid farmers very difficult.

1. In the 1960's, the farm bloc has lost much of its power which it once possessed.

a. From World War I until 1960, the American farmer was highly successful in the political world of initiating public policy towards agriculture. From the 1930's until recently, the farm bloc was able to secure the passage of many farm programs.

g. Have the student report on Willard Cochrane's multi-dimentional farm program. Or have several students role-play a discussion between Cochrane and members of the Agricultural Committee of the House about his program. (Before doing so, they should give members of the class a summary of the main features of the program.)

51. Students might read the pamphlet, The Case of the Growing Problem. This pamphlet is a fictionalized account of a freshman Congressman from an urban district who seeks to learn more about farm problems so that he can vote intelligently on farm legislation. The pamphlet ends with the question: "If you were this Congressman, how would you vote?" Through reading this pamphlet, students should gain a better understanding of the difficulty of enacting any farm program which will help all farmers. After pupils complete their reading, let them discuss the question raised at the end of the booklet.

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G. Economic goals may not be compatible.

G. People join their power with others in order to agglomerate their power.

G. The interest group attempts to bring aggregates of influence to bear on decision-makers by attempts to frame the possible choices the decision-makers have, by direct influence, by education, and by attempts to control the selection of decision-makers.

G. The effectiveness of interest groups may depend on the degree of internal cohesion they can maintain within the organization and on the human and material resources they can mobilize.

G. Political power is affected by access to political decision-makers; groups differ in the degree of access they have with congressmen.

G. The decision-maker reacts to pressures from other decision-makers and to pressures from outside the government.

G. Any decision is, in part, a product of the internalized values, the perceptions, and the experiences of the persons making the decision.

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b. Proposals are mutually contradictory.

1) Proposals to establish marketing controls run contrary to proposals of other agricultural interests who have greater power.

2) Proposals to restrict beef and dairy imports run contrary to consumer interests and may endanger exports of other farm commodities.

3) Proposals for high support prices with production controls run contrary to proposals for no support prices and no controls.

c. Farm bloc power has been reduced by the conflict of interests within the agricultural complex.

1) Farm organizations have memberships with differing interests and so proposals.

2) Farm commodity groups differ greatly in their policy goals.

3) Regional interests vary and sometimes are in direct conflict.

d. The power of the rural voters over legislation has declined with population shifts and reapportionment acts.

1) In the 1924 election there were 251 seats in the House of Representatives from farm districts, districts with a farm population of 20% or more, but after the 1964 elections the number of seats from farm districts was reduced to 53.

Discuss: Which of the proposals for legislation are contradictory? Which groups of people have interests which are in conflict?

Be sure to discuss also such questions as:

(a) How do the organized farm groups in the country differ as to the legislation they desire?

(b) How do producers of different farm commodities and farmers in different parts of the country differ? Why?

(c) How do these differences between organizations, producers of different farm commodities, and farmers of different regions affect the power of farmers in achieving farm legislation?

(At this point you may wish to tell the class briefly about the organization of the farm block and its success in the years after 1930. Ask: Why do you think it has been less successful since 1960?)

(d) How do you think the movement of population in this country from rural to urban areas may affect the power of farmers to achieve legislation? What has happened to increase the power of urban and suburban voters to influence Congress? (Remind pupils of what they learned in the eighth grade course about the Supreme Court decision which has brought about reapportionment in the states.)

(e) Also ask: Which group of voters do you think would have the most influence upon the President as he considers farm problems? Why? Why is the President's viewpoint important?

(f) How likely do you think it is that any farm legislation will "solve" all of the different aspects of the farm problem? Why?

2) Consumer groups and the general public, reflecting the rural to urban shift in American life, have a strong voice in determining what if any farm legislation shall be passed.

3) The President, sensing the urban nature of his constituency, will not be likely to propose high support programs or any other program which will cost the urban taxpayer significantly more than he is now paying.

G. The elasticity of demand for goods varies. For some essential goods, demand does not differ much, regardless of the price.

D. Some proposals to expand the demand for farm products show ignorance concerning the inelastic nature of the demand for farm products.

1. Campaigns to encourage the consumption of dairy products face opposition by persons who are worried about cholesterol as a factor in heart disease.

2. Campaigns to increase demand for wheat and other grain products run contrary to changing dietary tastes.

3. Economists looking at the demand for food products see only a slight increase in food demand. This increase will come as population increases and not primarily because Americans will eat more.

52. A student might report on campaigns to increase domestic demand for particular products. (e.g. "Princess Kay of the Milky Way" promotion) Discuss: How successful do you think such promotions can be, given the inelastic demand for many farm products?

G. New technological developments bring improved efficiency to tools and machines and increase labor productivity.

S. Identifies basic assumptions.

G. Adjustment of supply to demand is hampered by factors which decrease mobility of productive resources.

G. People's attitudes toward where they live reduce labor mobility.

G. Increasing specialization and diversity of skills needed for different jobs reduce labor mobility.

G. The incentive to achieve the largest income possible is modified by other incentives such as a desire to remain in a certain section of the country, a desire for certain kinds of working conditions, or a desire for independence.

S. Determines causes of a social problem, considers possible consequences of alternative courses of action, evaluates them in the light of basic values, listing arguments for and against each proposal, and selecting the course of action which seems most likely to prove helpful in achieving the desired goal.

S. Identifies value-conflicts.

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E. Some proposals are aimed at speeding and making easier the movement of small farmers to urban areas and other jobs.

1. The United States faces a paradoxical situation today. Our agricultural capacity and productivity far exceed the demand for our agridultural products. Our productivity is based on increased knowledge and capital investment. The result is that fewer and fewer farmers are needed.

2. Small farms generally do not lend themselves to new farming parctices. These smaller farmers will be forced to leave the land. The real question is not whether they will leave the land, but rather when.

F. An ideal farm program doesn't exist, nor will it ever exist.

1. The values and goals of the American people are in conflict over the best solution for farm problems. Because of these conflicts, many programs which might satisfy farmers will not necessarily satisfy urban dwellers. Programs which might satisfy one segment of agriculture will not satisfy other segments.

53. Have one or more pupils report on rural development and retraining programs which attempt to either bring industry to rural areas or train rural persons for jobs in urban centers. Then discuss: Do these programs have any chance for success? Why or why not? What do promoters of such programs assume? (Students should see that both of these programs are based on the assumption that fewer and fewer persons will be able to earn a living by farming.)

Discuss: What factors complicate the movement of men from rural areas to urban centers other than the lack of job skills which may be needed for the jobs available in urban centers? (Ask additional questions as needed to bring out some of the factors which may make farmers less mobile, such as the value which they place upon independence or the value which they place upon living in a rural area, etc.)

54. After pupils have examined both governmental and private proposals for solving farm problems, they should tie together the various aspects of this unit through synthesizing activities. Examples of such activities would be:

After the reading and student reports on proposals to deal with various aspects of the farm problem, students should be ready to check their original hypotheses. One way in which this might be done would be to have small groups of students write farm programs. These programs would be proposed to the rest of the class who would act as a congressional agricultural committee. As committee

S. Distinguishes between normative and non-normative statements.

S. Recognizes differences in the difficulty of proving statements. (Distinguishes between facts, inferences, and value judgements.)

A. RESPECTS OBJECTIVITY AND DESIRES TO KEEP HIS VALUES FROM AFFECTING HIS INTERPRETATION OF THE EVIDENCE, ALTHOUGH RECOGNIZING THE IMPORTANT ROLE OF VALUES IN THE PROCESS OF MAKING DECISIONS ABOUT PROBLEMS WHICH DEMAND ACTION.

2. Even if agreement over values and goals could be reached, methods used to attain these would be in dispute.

members, they could ask each writing group questions such as how these programs would work, how much each would cost, who would pay for these programs, how these programs would get at the basic causes of farm problems. Each writing team could make their proposal and subject themselves to class questions.

After all writing groups have made their proposals and been through a thorough questioning, the teacher could assume the role of the Agricultural Committee chairman and ask the class as a whole to synthesize the various proposals into one package. The class probably will not agree unanimously to each section of a farm program proposal, so majority rule will have to be followed. If students object to this procedure, ask if Congress would agree unanimously to any proposals. If not, why not? (Through these activities, students should come to realize that legislation for farmers come about through compromise and that, given conflicting values between farmers, an ideal program could probably never be adopted.)

55. In order to have students see the consequences of particular proposals, have each student divide his notebook paper into two columns. The heading on the left hand column might be "alternatives"(Choices of action) and the right hand column "consequences." Each student should list as many alternative solutions to the farm problem as possible at the left (based on his own ideas plus previous class discussion) and list the consequences of following this course of action on the right. Caution them that this step requires careful analysis. Most economists are in considerable agreement as to the consequences of a particular course of action. This is still a relatively scientific step (i.e., should be really norm-free here). However, there is not always complete agreement nor is there necessarily agreement upon which measures would be most effective in accomplishing given ends.

S. Determines causes of a social problem, considers possible consequences of alternative courses of action, evaluates them in the light of basic values, listing arguments for and against each proposal, and selecting the course of action which seems most likely to prove helpful in achieving the desired goal.

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a. One complicating factor in agriculture is the uncertainty concerning the supply of agricultural produce from year to year.

   1) From 1960-1966 farm income rose fairly steadily and reached its highest peak in American History.

   2) Secretary of Agriculture Freeman, seeing the possibility of shortages in key farm products, urged greater production in 1967. Farmers responded and ideal growing conditions produced a bumper crop. The result of this bumper crop was to create excess supply and and prices dropped as did farm income.

b. A second complicating factor relates to the uncertainty of demand from abroad because of famine or war.

56. Go over in class discussion the consequences which the students listed on the two column papers in activity #55. Discuss differences in consequences. Ask: Why are there these differences? What evidence do you have to support your consequences? If values have been interjected here, note that a science first examines the consequences and attempts to come to some agreement as to these before deciding which is to be used. Use the example of a chemistry problem--suppose we wish to produce an explosion by mixing certain chemicals with chemical "x". We must first agree what will result when we mix chemical "A" with "x" and chemical "B" with "x" before we decide whether to use "A" or "B".

Ask: What complicates the attempts to predict the consequences of specific farm programs to reduce supply of farm products in order to increase prices? How easy is it to predict farm output under different programs? Why? Is it as easy as to predict output of a factory, given a certain combination of resources, labor, and capital? Why not? (Ask additional questions, as needed, to point out the unpredictable factor of weather.) Discuss the difficulty of assessing how much increase in production will come about each year as the result of the use of new seed, fertilizer, etc. Also ask: What might happen to greatly increase the demand for U.S. farm products and so reduce our stockpiles? (Suggest hypothetical examples, if necessary, of increased demand from abroad as a result of famines caused by unpredictable weather abroad or of a war which disrupt farm production.)

S. Distinguishes between normative and non-normative statements.

S. Identifies basic assumptions.

S. Distinguishes between normative and non-normative statements.

G. Economic goals may not be compatible.

S. Identifies value-conflicts.

57. To dramatize the differences between what "is" and what "ought to be " pose the situation of two boys who know they will go to jail if they steal. One decides to steal and the other does not. Why? Is it because they differ as to what will be the consequences of stealing if they are caught? Could it be that they differ as to the consequences--one believing he might get caught, the other expecting to get away with it? During this discussion, have pupils identify which decisions might be made on the basis of differing consequences and which on the basis of differing values.

58. Have the class examine the following and think of specific examples:

    When people say "If . . . then would . . .?" they are asking a consequence question.

    When they say "If . . . then should . . .?" they are asking a value question.

59. Excerpt from papers, magazines and bulletins, statements with explicit or implicit value judgements. As an exercise, have the class identify the values held by those making the statements.

60. Have each student list the values he believes to be important for a " proper solution" to the farm problem. List the various values on the board. Discuss the variety as well as conflicting value judgements. Students might note that in policy-decisions, we have now arrived at the point where arguments might take place because of the values people hold. Ask: What problems do you see if people fail to isolate these values for discussion?

S. Determines causes of a social problem, considers possible consequences of alternative courses of action, evaluates them in the light of basic values, listing arguments for and against each proposal, and selects the course of action which seems most likely to prove helpful in achieving the desired goal.

S. Generalizes from data.

A. IS SCEPTICAL OF PANACEAS.

S. Identifies value-conflicts.

S. Checks back on his reasoning.

61. Have an individual piece of paper for each alternative suggested in previous analysis. At the top of the paper type the alternative course of action. Below this, divide the paper into two columns, one entitled "Arguments for" and the other "Arguments against." Divide the class into groups and give one paper to each group. Each group is to discuss, list arguments for and against, and report to the rest of the class. The class may contribute to a more complete listing. If possible, duplicate the lists for all members of the class.

    In considering the advantages and disadvantages of a proposal, the group should consider the goals of the program: Are they generally acceptable to people in the U.S. or is there much conflict over them? How do they fit into other basic values held by the American people? In considering the probable effects of the program, the group should consider: What would be the effects? Would economists agree as to the effects? Given these effects, how effective would the proposal be in achieving the stated goal?

62. Are there some basic goals about which we might agree? Have the class consider this question. After some discussion the class might be interested in considering the agricultural goals in Goals for Americans. Can there be national goals? Should there be national goals?

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63. Students should be cautioned that many problems may not have solutions in which all goals can be satisfied. Discussion of conflicting decisions should again reveal different ordering of values. If the differences involve consequences, students should pause and analyze them more carefully, using evidence available.

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The American Assembly. Goals for Americans: The Report of the President's Commission on National Goals. (Goal #9 in "Goals at Home" as well as Lauren K. Soth's Chapter 9 are pertinent.)

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A. FEELS RESPONSIBLE FOR KEEPING INFORMED ABOUT CURRENT PROBLEMS.

S. Differentiates between normative and non-normative statements and questions.

S. Identifies basic assumptions.

S. Checks for completeness of data.

S. Detects inconsistencies.

S. Interprets graphs.

64. For class review of contemporary policy, have pupils investigate the President's farm message to identify the Executive branch's definition of the problem, alternatives, suggested, probable consequences, etc.

65. Give a unit test. Include a section on skills in which pupils must differentiate between normative and non-normative statements related to the farm problem. Also include skills items on picking out the basic assumptions in a short article or speech, on determining inconsistencies in an article or speech, and on identifying arguments which neglect important factors involved in the farm problem. Also include items on interpreting graphs.

    Perhaps include an essay question in which you give pupils a copy of a "letter to the editor" or a similar pronouncement about the farm problem. Require pupils to analyze how the letter defines the problem, what alternatives it lists and the implied consequences and goals of the position taken.

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* It is crucial that the teacher keep up-dating this bibliography, particularly the sections on magazine articles and pamphlets.

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GRADE NINE: UNIT THREE

SUPPLY AND DEMAND ANALYSIS WITH E

ON THE AMERICAN FARM PROBLE

Darrell R. Lewis

Any meaningful discussion concerning an economic problem necessarily involves certain basic concepts of economic analysis. Initially, any discussion of the American farm problem must include an understanding and working knowledge of the important and basic concepts embodied in market analysis or microeconomics. It is very importart to note that the secondary student cannot hope to fully master the details of economic analysis presented in this paper. It must be assumed that detailed consideration of most of these points will await a more advanced or extended course in the subject. Some of the topics are difficult. The outline below tries to indicate the areas where emphasis will be needed and those areas which can be treated rather briefly and generally as long as the student understands that the treatment is very abbreviated.

The fundamental analytical concepts necessary for a basic understanding of most microeconomic problems, especially the American farm problem, are embodied in supply, demand, and price relationships. In a mixed economy, the basic economic problems--What, How, and For Whom--are solved by a system of markets and prices. Although the system is not directed, there is a definite relationship between the amount of goods available, the demand for goods, and the selling price of goods--between the supply, demand, and price. A clear understanding of this relationship is

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GRADE NINE: UNIT THREE

SUPPLY AND DEMAND ANALYSIS WITH EMPHASIS ON THE AMERICAN FARM PROBLEM*

Darrell R. Lewis

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The concepts to be grasped include demand, supply, and the relation of both to changes in price. The student should learn to identify each concept and to handle the data in both simple tabular and graphic form. For this reason, tables and graphs in any standard text should be used as fully as possible. The very important law of downward sloping demand should be considered in some detail. The student should also understand that the market demand and supply curves are merely summations of all individual demand and supply curves for that product.

The concept of supply and demand equilibrium should also be stressed (e.g., the manner in which supply and demand determine market price by interaction). The effects of a shift in supply or demand should be discussed. The rationing function of competitive prices should also be emphasized (e.g., competitive prices automatically synchronize

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* Written during summer of 1964.

buying and selling decisions and "clear the market"). The very important ceteris paribus (holding all other variables constant) involved should be explained clearly. Various economic situations (land rents, labor wages, or wheat prices) could be used to illustrate and compare the usefulness of these concepts.

In order to follow any meaningful discussion involving the concepts of supply and demand, the student must understand the notion of elasticity and its consequences for both supply and demand. This concept should be discussed with particular reference to the effect on total revenue as a result of price change in the market. Moreover, the distinction between shifts in the demand curve or supply curve and movement along these curves should also be emphasized. This point can be brought out clearly by a discussion of tax incidence--e.g., assume a tax on the suppliers of a product and allow the supply curve to shift. The various determinants of demand and supply could also be discussed in this context--e.g., the determinants of demand include: the tastes or preferences of consumers, the money incomes of consumers, the prices of other related goods, consumer expectations about the future, and the number of consumers in the market; for supply: the technique of production, resource prices, prices of other goods, price expectations, and the number of sellers in the market.

It is important to note for the student that the simple model workings of competitive supply and demand deal mostly with what economists call the case of "perfect competition." Even here, the economist's curves are merely useful ways of idealizing (abstracting) the

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behavior of such markets. In economic terms, perfect competition is rather strictly defined, and though it is an important special case, it remains a special case. It does not represent many of the facts of modern industry. The real world--in America, Europe, or in the underdeveloped countries--contains significant mixtures of monopoly imperfections along with elements of competition. The analysis must be modified accordingly. To present only the simple tools of supply and demand--at a truely unsophisticated level--without reference to the existing market structures could possibly leave the student bewildered and/or deceived.

American industry is characterized by differing degrees of competition. The market models of perfect competition, pure monopoly, monopolistic competition, and oligopoly are classifications into which most industries can be fitted with reasonable accuracy. These market models, however, are merely first approximations of reality. Similar market classifications, based essentially upon numbers, can be applied to the buying--or demand--side of the market. The following table provides a convenient summary used by most economists when explaining the major characteristics of these four market models.

Characteristics of the Four Basic Market Models

Market Model	Number of firms	Type of Product	Control over Price	Conditio of Entry
Perfect competition	A very lare number	Standardized	None	Very eas no obsta
Monopolistic competition	Many	Differentiated	Some, but limited	Relative easy
Oligopoly	Few	Standardized or differentiated	Mutual interdependence, some collusion	Relative difficul
Pure monopoly	One	No close substitutes	Considerable	Blocked

The economist's definitionsof the four market models focus attention upon the control over supply (the number of firms in the industry and the ease or difficulty encountered by new firms entering the industry), the conti of product differentiat and the control over pr also the influences tha

Characteristics of the Four Basic Market Models

f	Type of Product	Control over Price	Conditions of Entry	Nonprice competition	Examples
are	Standardized	None	Very easy, no obstacles	None	Agriculture
	Differentiated	Some, but limited	Relatively easy	Considerable emphasis on advertising, brands, etc.	Retail trade
	Standardized or differentiated	Mutual interdependence, some collusion	Relatively difficult	A great deal of advertising	Steel, autos, cigarettes
	No close substitutes	Considerable	Blocked	Mostly public relations advertising	AT&T. Local utilities

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the industry), the control over demand (the degree of product differentiation and non-price competition), and the control over price. It is important to note also the influences that legislation and government

policy (e.g., exclusive franchises, patent laws, tariffs, and antitrust legislation and policy), interindustry competition, geographic location, and technological advance may have on the competitive structure of an industry or market.

Any discussion concerning the effects of imperfect competition on resource allocation and other socio-economic consequences is presumed not to fall within the structure of this paper or unit. Presumably, this very important analysis will be covered in a subsequent unit dealing with an American industry.

The above basic concepts need not, necessarily, be developed by themselves. However, if they are to be introduced in the discussion of a case or problem, such as the American farm problem, care must be taken to make sure they are developed early enough to ensure the student's understanding of the processes and relationships involved.

In the discussion which follows some of the major analytical and topical approaches to American farm problems will be explored. Heavy reliance is placed on the analytical tools and concepts developed in the preceeding discussion. No attempt is made to resolve the problems; only alternative analyses are suggested for discussion.

I. A brief history of the American farm problem shows that the problem is one of declining agricultural prices and falling farm incomes.

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A review of the experiences of American farmers from 1914 until the present will help the student gain perspectives into the present dilemma. It is important to note that declining farm prices, declining farm incomes, farm incomes which are low relative to the incomes of nonfarm families, and a highly unequal distribution of farm income among farm families are all merely "symptoms" of the more basic causes of the present problem. Specific reference should be noted to the three classes of farmers found within the agricultural industry. The first group are the subcommercial or subsistence farmers. Their income is inadequate less because prices are low than because they have so little to bring to market. The second group is the traditional family farm, while the third group is the large commercial farm. It is necessary to note these differences and their symptons in order to meaningfully understand the problems and suggested policies confronting agriculture--e.g., almost all farm legislation is lobbeyed by and for the second group of farmers, while the third group benefits the most. Moreover, it is important to relate these three groups to the various generalizations discussed in the following portions of this paper.

II. The basic causes of the American farm problems are to be found in a combination of four conditions, no one of which alone would have caused them.

It is a bit misleading to talk of "the" farm problem. Actually, the changes which have occurred in farm incomes suggest the presence of both a long-run problem and a short-run problem. The

long-run problem concerns those forces which have caused farm prices and incomes to decline over a period of years. The short-run problem has to do with the sharp changes in farmer's incomes from year to year.

Complex problems can rarely be stated accurately in brief terms. This is certainly true of the long-run problem which plagues American agriculture. Nevertheless, a workable picture of the problem can be portrayed through the economic analysis of supply and demand. While discussing each of the following causal factors, the teacher should make ample use of the supply and demand tools suggested earlier in this discussion. Full use should be made of both tabular and graphic data. Moreover, it is important that the teacher continuously relate each of the following factors to an overall graphic analysis--i.e., when coupled with the inelastic demand for agricultural products, the historically accompanying shifts in supply and demand will show a decline in farm incomes.

A. <u>The causes of the long-run problem are embodied in the "price inelasticity" of demand for farm products and the large increases in the supply of these products which have taken place relative to modest increases in the demand for them.</u>

1. <u>A relative large decline in prices of our farm products brings about only a small increase in the consumption of them.</u>

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It is very important that the student understand the inelastic nature of agricultural products in general--i.e., consumers are relatively unresponsive to changes in the prices of farm products. Foods are not close substitutes for other objects of consumer expenditure, so that a decline in the price of foods does not cause people to shift from buying other things to buying foods. If farm prices fall, for example, the resulting increase in sales will be very modest.

2. Total productivity has been growing very rapidly in agriculture.

On the supply side of the picture a rapid rate of technological advance, particularly since World War I, has caused significant increases in the supply of farm products. In 1820 each farm worker produced enough food and fiber to support four persons. By 1961 each farmer produced enough to support twenty-six. This increase in productivity has assumed a variety of forms which may be discussed: widespread mechanization, improved techniques of land management and soil conservation, irrigation, the development of hybrid crops, and improved breeds of livestock.

Three additional and significant points must be included in any discussion concerning the increasing productivity in American agriculture: (a) Most recent technological advances have not been initiated by farmers but are rather the result of government sponsored programs of research and education and the work of farm equipment producers. (b) Technological advance has not occurred evenly throughout agriculture. Many farmers--particularly

those in the lower income group mentioned above--are under-mechanized, uninformed, and extremely inefficient. (c) It has become efficient to use less labor, and more capital, in farming. The amount of farm labor required to produce a given amount of agricultural product has declined relatively more than the toal amount of resources required. Thus, the character of technolgical change has been such as to make substiution of capital for labor highly efficient. Effective use could be made of the economist's concept of "alternative costs" while illustrating and discussing this phenomenon.

3. The total demand for agricultural products has grown slowly, and this is typical.

Increases in the demand for agricultural commodities have lagged behind the technology induced increases of their supply. The explanation lies in the two major determinants of agricultural demand--incomes and population. In the aggregate, the quantity of agricultural products that can be sold at unchanged prices does not rise much from year to year. The American people are at a level of diet where they wish to spend only a very small percentage of any increase in their per capita incomes on increasing their food consumption. In a lesser degree this is also true of textile consumption (where the growth of demand for farm produced fibers has been further slowed by the increased use of synthetics). The economist explains this phenomenon by stating that the demand for farm products is "income-inelastic"--i.e., increases in the income of American consumers lead to less-than-proportionate increases in expenditures on farm products. Recent estimates indicate that a 10 per cent i
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indicate that a 10 per cent increase in real per capita disposable income entails at the most an increase in the consumption of farm products of only 2 per cent. Although we have had some substantial population increases in the United States, they simply have not been great enough to match the concurrent increases in farm output.

Foreign markets are also important for agriculture, but have contributed little to the rate of growth of demand, for two main reasons. First, in the underdeveloped countries dietary levels are low and population is growing rapidly, but these countries can spare little of their income for buying imported food. Secondly, the countries of Western Europe have rising incomes but also rising productivity in their own agriculture and most of them have tight restrictions on imports of farm goods.

4. Resources, most importantly labor, do not flow freely out of agriculture at the rate necessary to avoid falling incomes--i.e., the most fundamental farm surplus of all is the number of farmers.

High birth rates and a relatively slow rate of outmigration of farmers have resulted in too many people trying to make a living in an industry which will not support them at an income level comparable with the rest of the economy. Comparable statistical data would make useful discussion. In 1910 the farm population was about 35 per cent of the total population and received about 19 per cent of the national income. By 1960 the farm population had declined to

about 11 per cent of the total, but farm income was about 4 per cent of national income. In a purely economic sense, the relative slowness of the reallocation of farmers from agriculture to industry has been the crux of the long-run farm problem. Within the context of this discussion, it would certainly be legitimate for the teacher and students to inquire why farmers have been relatively slow in moving out of agriculture. A number of economic factors could be considered. The marginal farmer might possibly be the marginal worker in industry, thus offering no inducement to leave the farm. The costs of moving and retaining oneself for industrial employment may be significant. The effect of a less-than-full-employment economy in the last decade may have had a strong influence. The high fixed costs associated with farming may have worked against any hasty decision to quit farming. The temporary upsurges of demand for agricultural products, during World War II and the Korean War, and the price-supporting programs of the government may also be legitimately explored in attempting to find further bases for farm labor immobilities. Noneconomic and institutional factors are also significant. The lack of information about the availability of urban employment may be a vital factor. Union restrictive membership practices may also be pertinent. Finally, any suggested movement from the farm to a metropolitan area may strike fear into the hearts of most farm families. Moreover, there tends to be a nostalgic appeal, especially among the elderly, about living on the "home farm" and "staying in the country."

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B. <u>The cause of the short-run problem, of extreme year-to-year fluctuations in product prices and farm incomes, can be attributed to the inelastic nature of demand for agricultural products--i.e., relatively small changes in demand or supply result in relatively large changes in agricultural prices and farm incomes.</u>

To understand the short-run farm problem the student is required to again make use of his knowledge of supply and demand. The student should recognize that the farmer has very little control over total agricultural production (e.g., independent producers, weather conditions, etc.) As a result, farm production (the supply curve) tends to be relatively unstable in the short-run. Putting the instability of farm production (a shifting supply curve) together with an inelastic demand for farm products, the student should readily discover why farm prices and income are highly unstable. It is almost imperative that graphic analysis be used in these discussions.

III. <u>The American farmer has been highly successful in the political world of initiating public policy towards agriculture.</u>

The farm bloc has succeeded in establishing a comprhensive and many-sided program of public aid to agriculture. It may be informative to explore how a special interest group--such as the Farm Bureau, the Farmer's Union or the National Grange--is able to wield influence on the U.S. Congress and public opinion. Moreover, the teacher and students

could discuss and evaluate the many and varied claims to special assistance voiced by these groups. Such arguments as the following could be considered: Farming, and particularly the family farm, is a fundamental American institution--a way of life which is to be nurtured and preserved for the virtues it entails. Society as a whole, not individual farmers, should bear the cost of soil conservation. Agriculture is vested with more risks--weather, severe competition, etc.,--than other industries of the economy. Prosperity for farmers is essential for prosperity in the economy as a whole. Past farm policies are alleged to have been so faulty and misguided that the government is obliged to help the farmer with improved farm programs in the future. Finally, the argument has been presented that because many farmers have inadequate incomes and living standards, and our values say that we should not let this exist in the United States, therefore society should subsidize agriculture. On the basis of these arguments and the disproportionately large voice which farmers have in Congress, a detailed farm program has evolved over the years.

IV. <u>The measures taken to deal with the farm problem have included a variety of Federal programs designed to raise farm prices.</u>

The three major policies of the Federal government in dealing with the farm problem have been directed either at raising farm prices directly, by supporting farm prices, or at raising them indirectly by reducing supply. The economic tools of supply

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V. <u>Public policy h
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and demand would be very useful in explaining and illustrating the three main aid programs: (1) Crop-limitation programs (such as acreage allotments or crop quotas to each farm) that aim to cut down on supply and raise price. (2) Purchase-loan storage programs to guarantee or support prices. In connection with the direct support of farm prices the student should be introduced to the much talked of concept of parity. Parity is not a difficult concept to understand, but is an important one if the student is to comprehend any of the current discussion which surrounds it. (3) The purchase-and-resale differential subsidy plans connected with the names of the two Secretaries of Agriculture Benson and Brannen should also be discussed and illustrated. Each of these three major programs can be easily illustrated by using a graphic analysis of supply and demand.

Finally, the student should also be familiar with two other alternatives which have been employed on a limited base as remedies for the farm problem: (1) Outright gift or relief payments, given to needy farmers who have established their need and misery. (2) Programs by the government that aim to increase the demand for farm products--e.g., the recent purchases of beef in the hot lunch programs and advertising in governmental pamphlets--or cut their real cost of production--e.g., land grant colleges' experimental work and the extensive work of count agents.

V. Public policy in American agriculture has had little success in solving the farm problem.

From the above farm programs the student should be able to evaluate the following alleged consequences and/or criticisms of the public policies followed during the past decade. (As a suggested note, the student might compare the program of the Committee for Economic Development with the other programs designed to solve the farm problem and note how the CED plan tries to avoid the pitfalls which have caused the other programs to fall short.)

For the most part, public policy in agriculture has been oriented toward supporting farm prices and incomes rather than alleviating the resource allocation problem, which is the fundamental cause of low farm incomes. The support of prices has probably deterred the movement of resources out of agriculture. It may have given farmers erroneous expectations of the earnings their labor might yield to agriculture in the future.

The programs have not helped most of the farmers who were most in need of help. Since the attempt to support farm income has been made by way of supporting the prices of key farm goods, farmers who market the most get the most out of the support program. Smaller farmers, who market less, do not receive large amounts from the price-income support programs. It has been suggested that "an income support program should be geared to people, not commodities."

Farm policy may have moderated the decline in farm incomes, per person engaged in agriculture, that would have occurred if there had been no farm program, but it has not prevented a growing gap

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between farm and nonfarm earnings. In addition, it has left many farmers in a situation where withdrawal of government programs would cause a sharp drop in their incomes.

Taxpayers have borne a heavy burden as a result of the price support programs. In recent years Federal outlays simply for carrying accumulations of surpluses have come to about $1 billion annually. It may be helpful to relate this discussion with current financial data on surpluses and other costs of agricultural aid.

The negotiating position of the United States in bargaining for freer access for American agricultural products to European markets may have been impaired by the fact that the United States was subsidizing its own exports and imposing quotas to protect high domestic prices.

Underdeveloped countries have received more assistance from the United States in the form of more agricultural commodities than they would otherwise have received. Without these programs they might have received other assistance more valuable to them. This discussion could be related to a number of our agricultural disposal programs (e.g., Public Law 480).

Some segments of agriculture may have been subjected to controls on their freedom of action.

Finally, certain embarrassingly evident inconsistencies within the farm program and between the farm program and other public policies could be discussed. For example, at the same time that the government is making attempts to cut back on agricultural production, other government policies are aimed at boosting farm output.

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Campbell R. McConnell, Economics: Principles, Problems, and Policies. New York: McGraw-Hill, 1963. Lloyd G. Reynolds, Economics: A General Introduction. Homewood, Ill.: Richard D. Irwin, 1963. Paul A. Samuelson, Economics: An Introductory Analysis, 6th ed. New York: McGraw-Hill, 1964.

MARKET MODEL GRAPHICALLY

It would probably work best to use this as a "problem" with each member of the class working out his own solution (rather than placing it on the board with the entire class working on it).

You are the owner of the famous "Bantam Baseball" factory producing this marvelous product (hold up the product--one baseball). Checking around your local area you find that several people are interssted in buying your product. In fact, you find that if the price is $5.00 you can sell 2 baseballs

"	"	"	"	4.00	"	"	"	3	"
"	"	"	"	3.00	"	"	"	5	"
"	"	"	"	2.50	"	"	"	7	"
"	"	"	"	2.00	"	"	"	9	"
"	"	"	"	1.00	"	"	"	14	"
"	"	"	"	.50	"	"	"	20	"

You have found this information by talking to managers of local little league teams, school coaches, variety store owners, etc. Have you learned anything? (Pause for answers)

What does this information say? (Urge hypotheses)

Can you represent this information on a graph? (Have them do it.) (Walk around class to check work.)

Now your factory is set up in your garage and you have to pay your dad a little rent (to pay for washing his car as it has to be left out all the time), you have to pay your brother or sister or the neighbor kids for their help in making the baseballs.--Before going on ask them to think of other expenses.)

OK--So you look at your costs and decide that if people are willing to pay only $1.00 each, you can make 7 baseballs

if they	"	"	"	"	"	2.00	"	"	"	"	11	"
"	"	"	"	"	"	3.00	"	"	"	"	15	"
"	"	"	"	"	"	4.00	"	"	"	"	18	"
"	"	"	"	"	"	5.00	"	"	"	"	20	"

What does this information say? (hypotheses)

Why are you willing to make 20 baseballs at $5.00 each and only 7 at $1.00 each?

Draw on the same graph this last information. (Again walk around class to observe work.)

What do we have here? Are these graphs helpful at all? How?

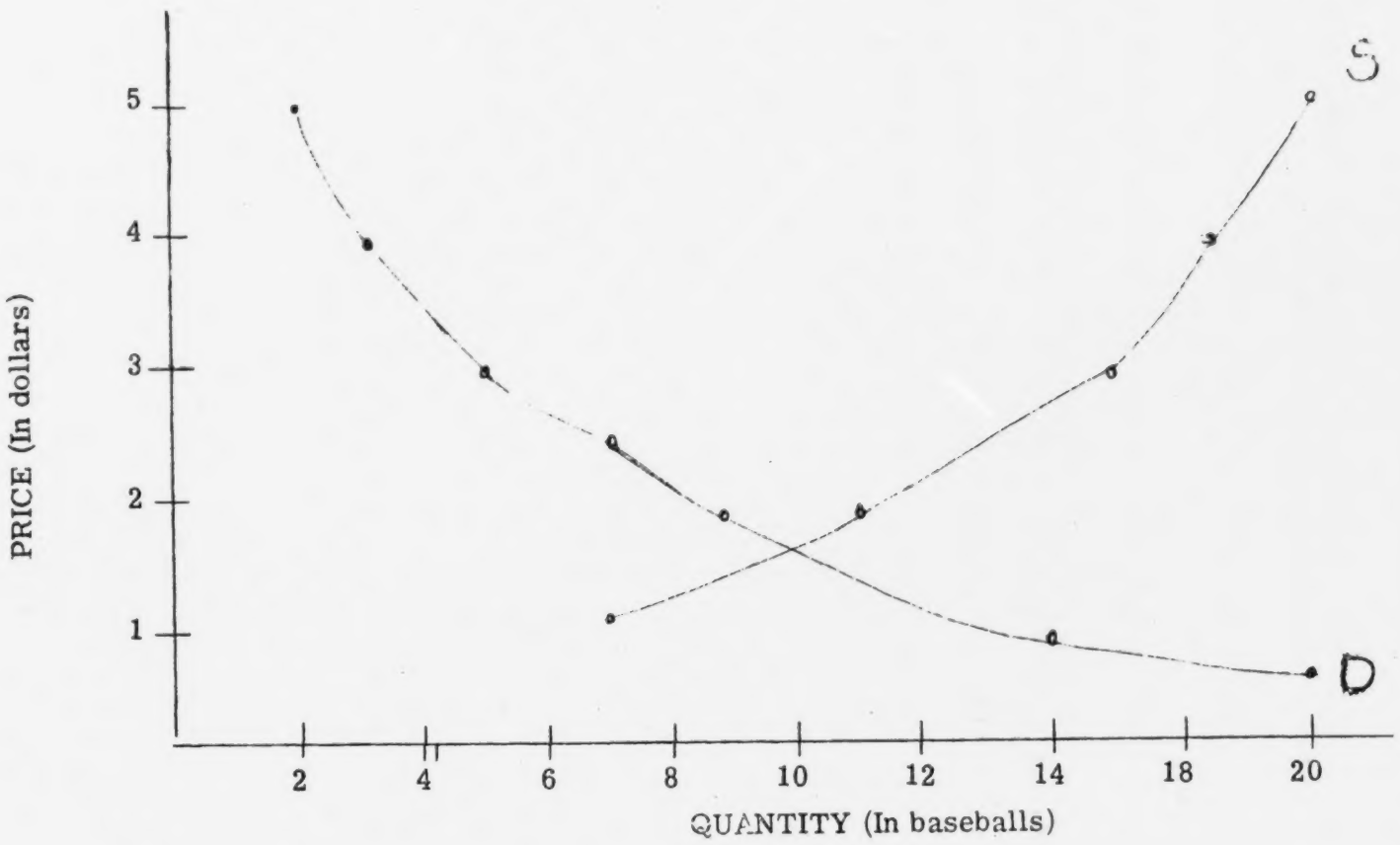
What do they tell us about the local area baseball market?

Can you guess at what price and quantity baseballs are likely to be bought and sold here? Why? Explain your choice.

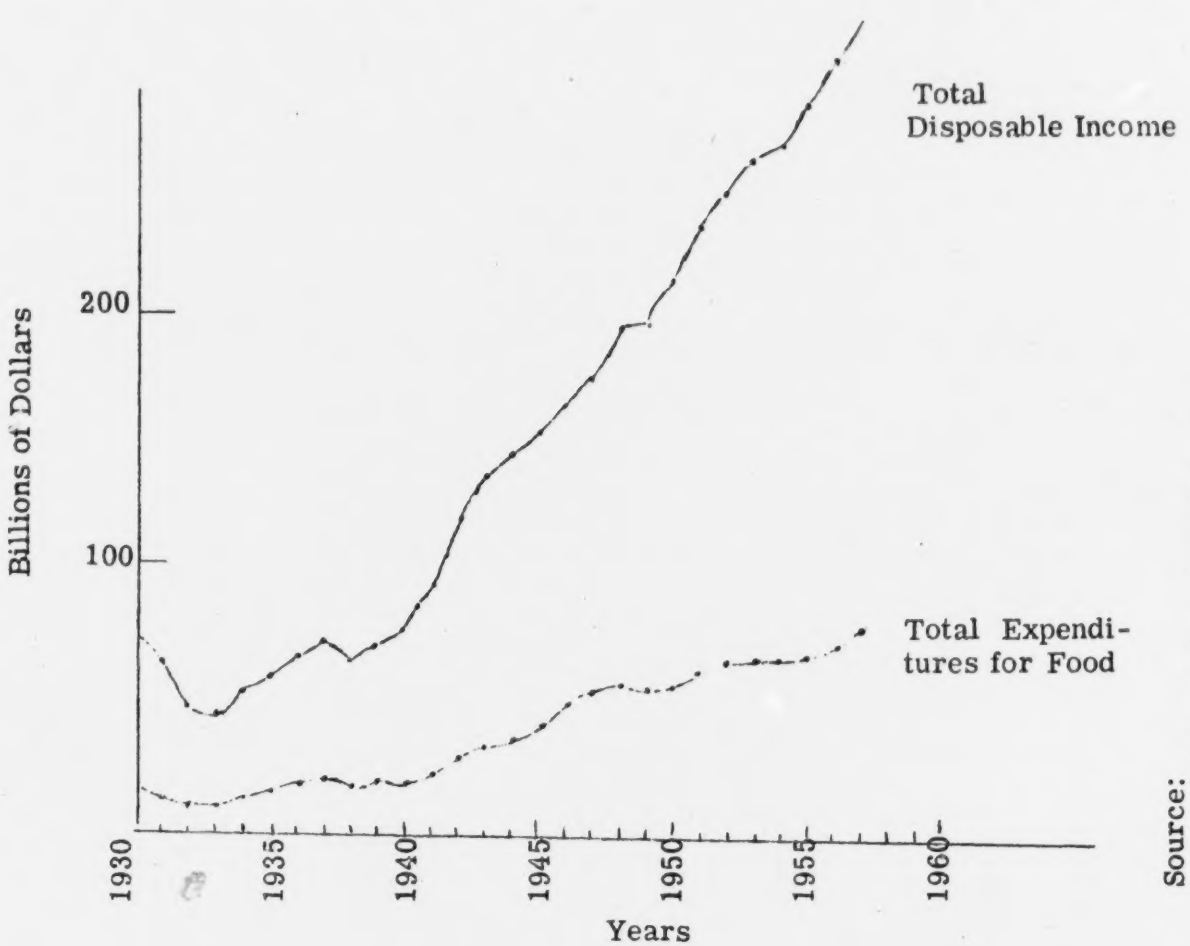
Why can't it be $3.00? (Try it--board diagram)

Why can't it be $1.00? (Try it--board diagram)

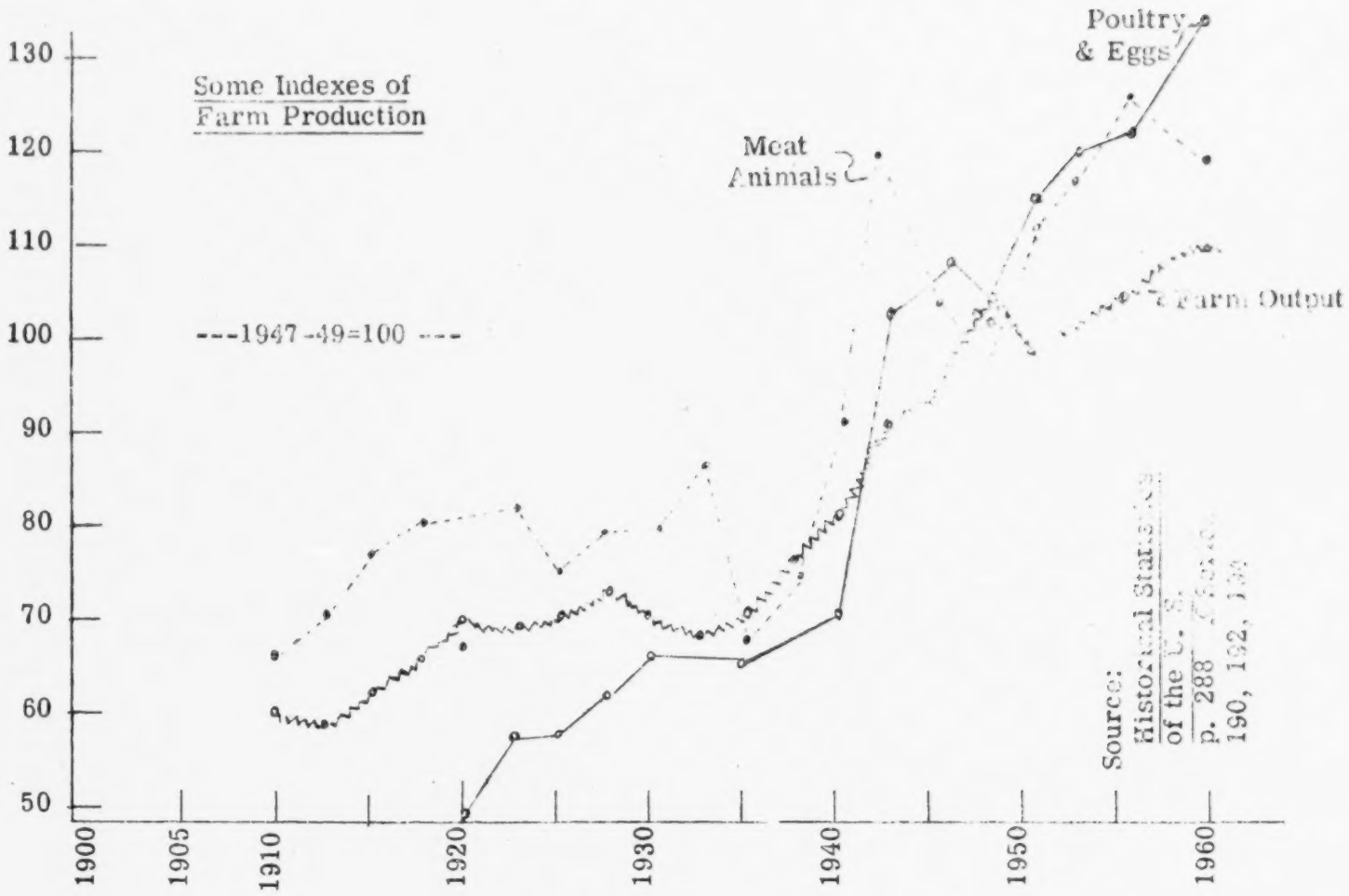
A BASEBALL MARKET

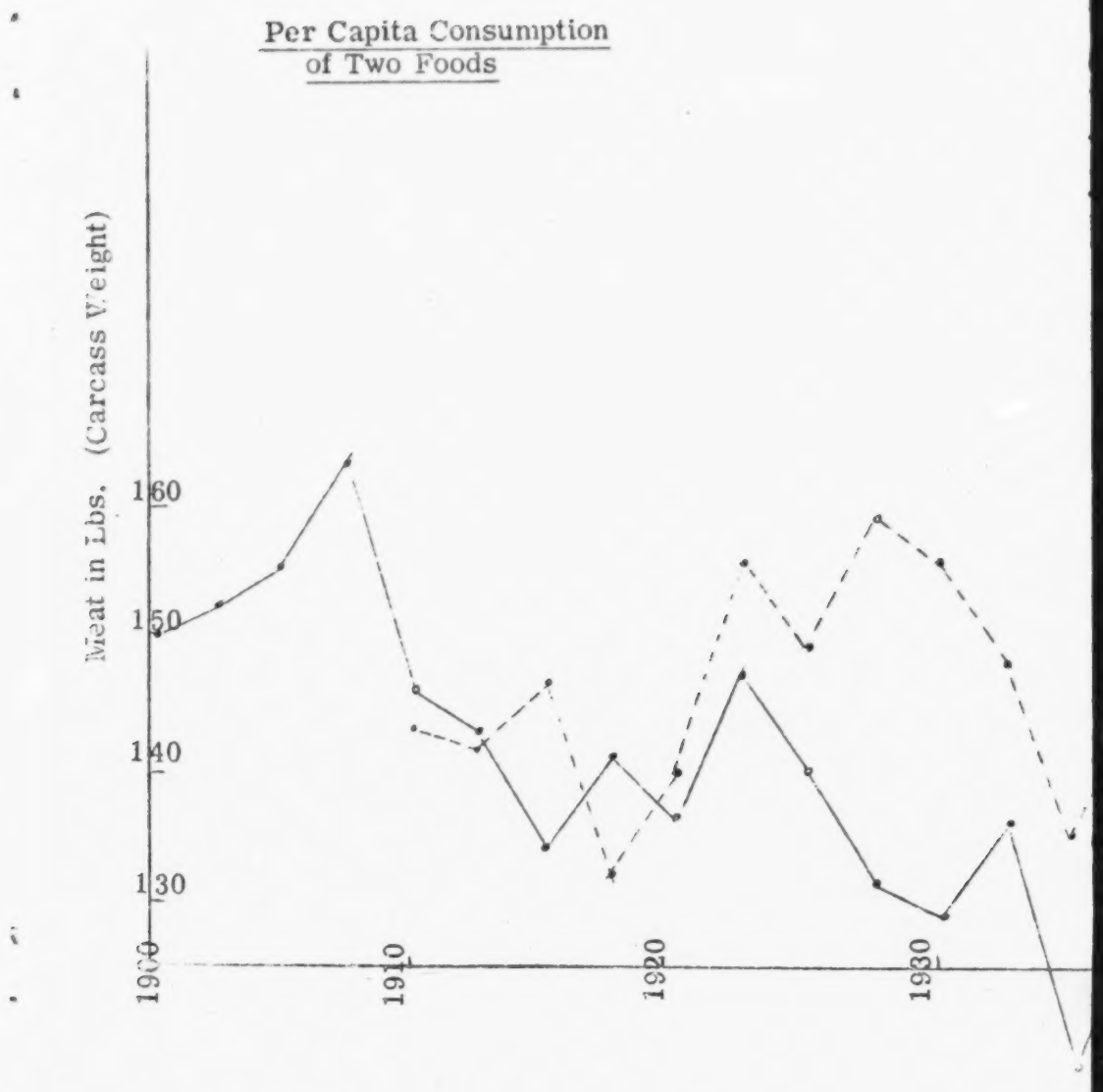


Income and Spending for Food



Source:
Historical Statistics of the U. S.
p. 178 G Series 192
p. 139 F Series 9


Some Indexes of
Farm Production
---1947-49=100 ---
Poultry
& Eggs
Meat
Animals
Farm Output
130
120
110
100
90
80
70
60
50
1900
1905
1910
1920
1930
1940
1950
1960
Source:
Historical Statistics
of the U. S.
p. 288
190, 192, 193


Per Capita Consumption
of Two Foods
Meat in Lbs. (Carcass Weight)
160
150
140
130
1900
1910
1920
1930

Source: Historical Statistics
of the U. S. p. 186-87
G Series 552, 578

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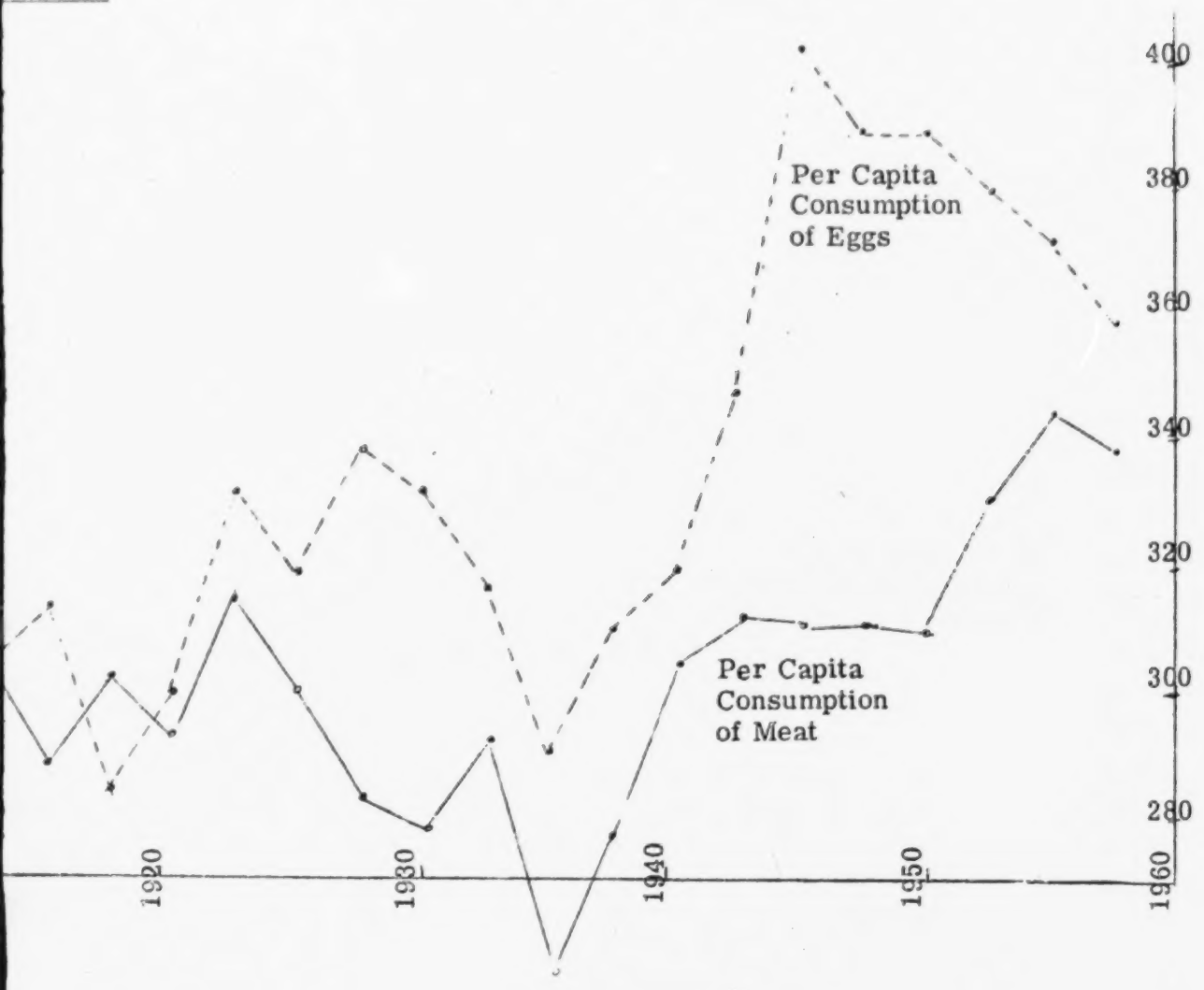

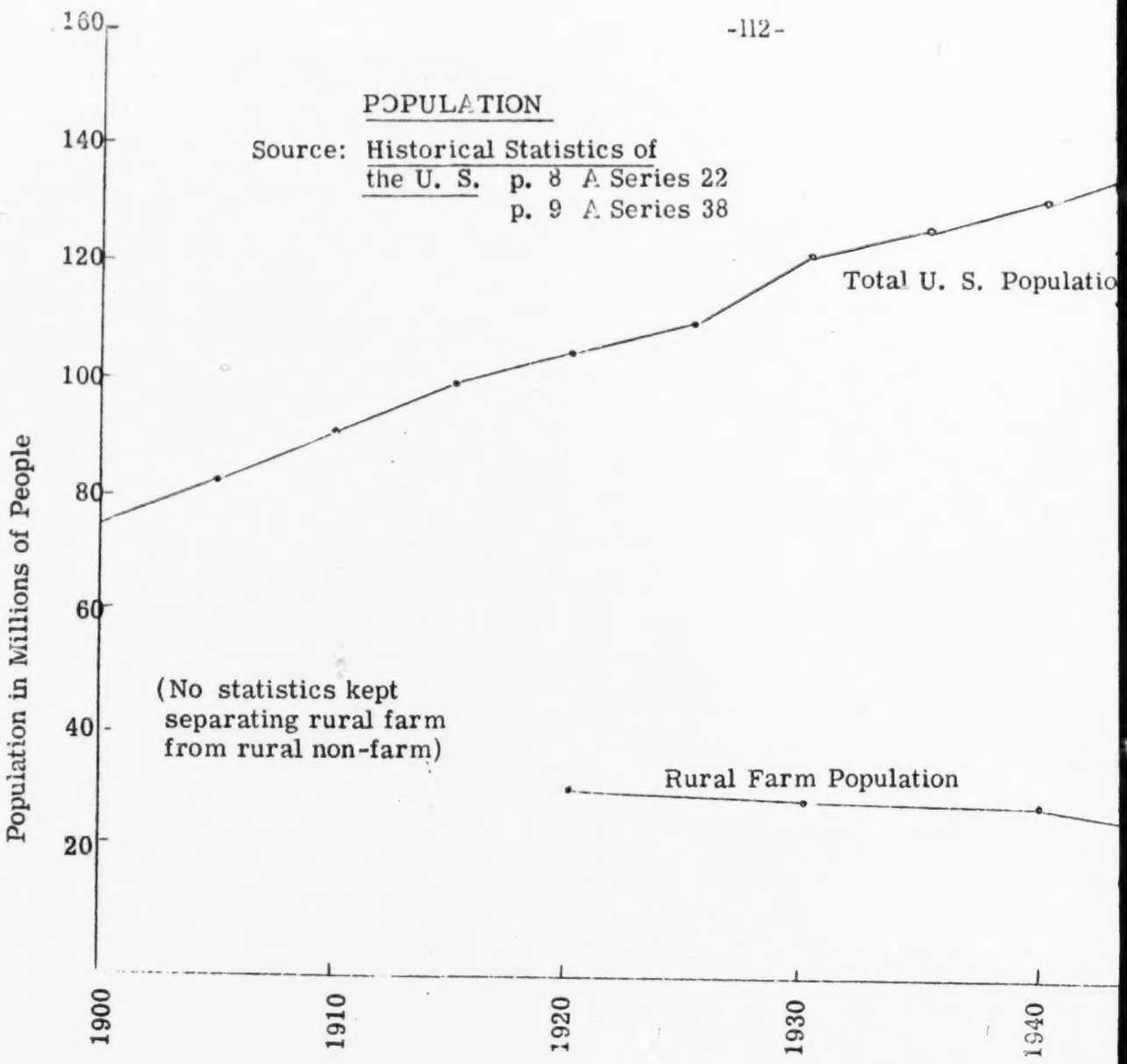
POPULATION
Source: Historical Statistics of the U. S. p. 8 A Series 22
p. 9 A Series 38
Population in Millions of People
160
140
120
100
80
60
40
20
Total U. S. Populatio
(No statistics kept separating rural farm from rural non-farm)
Rural Farm Population
1900
1910
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1930
1940

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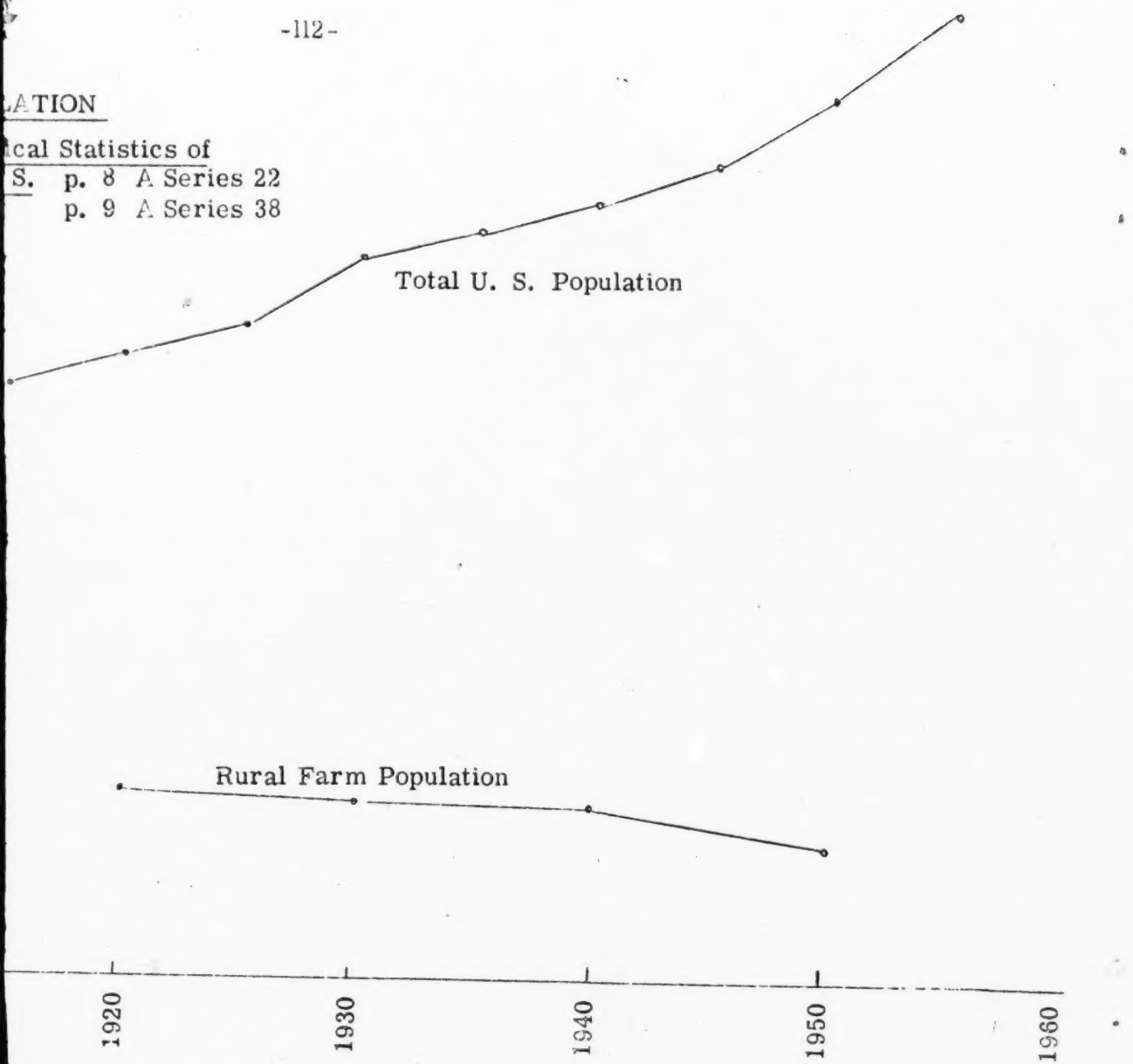
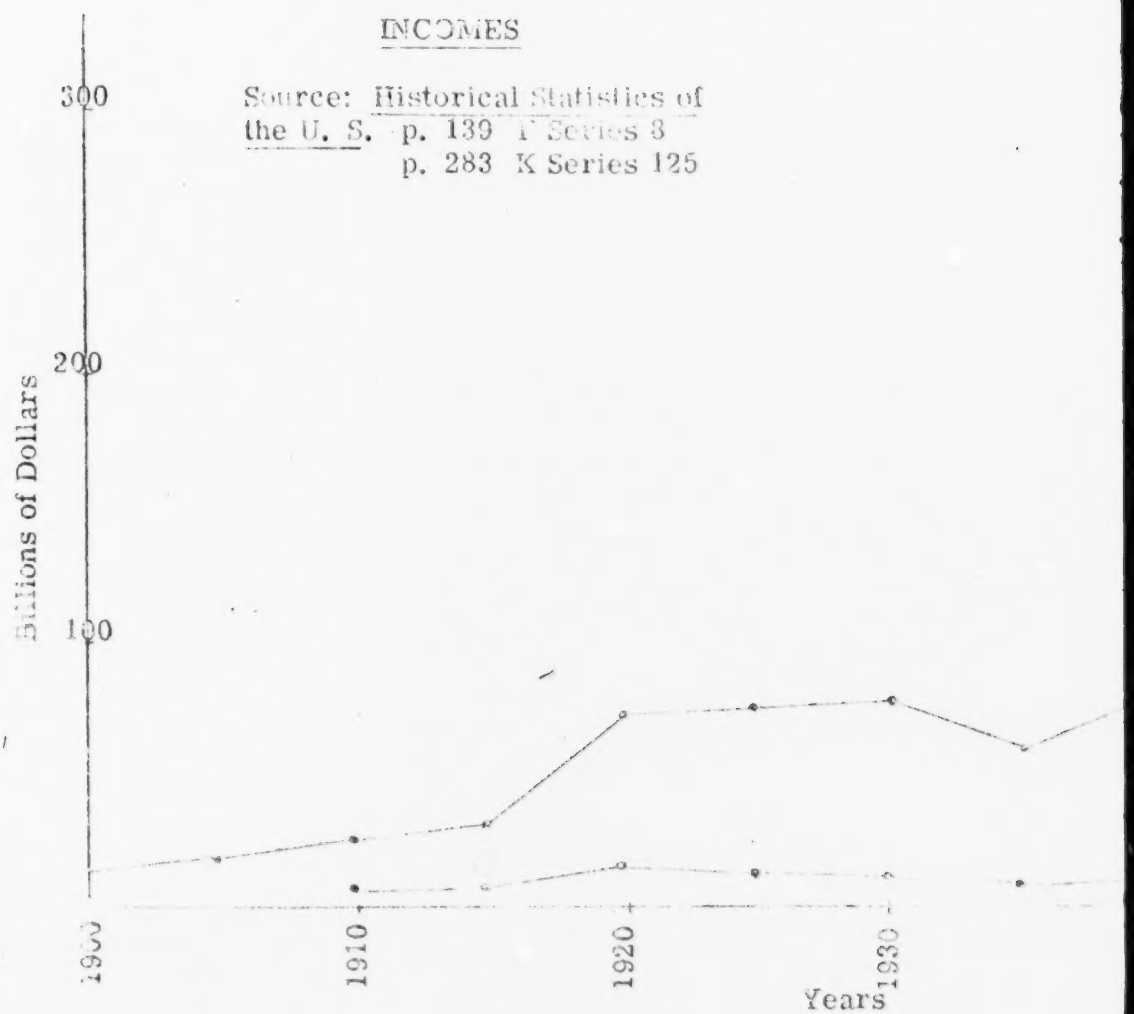
S. p. 8 A Series 22
p. 9 A Series 38



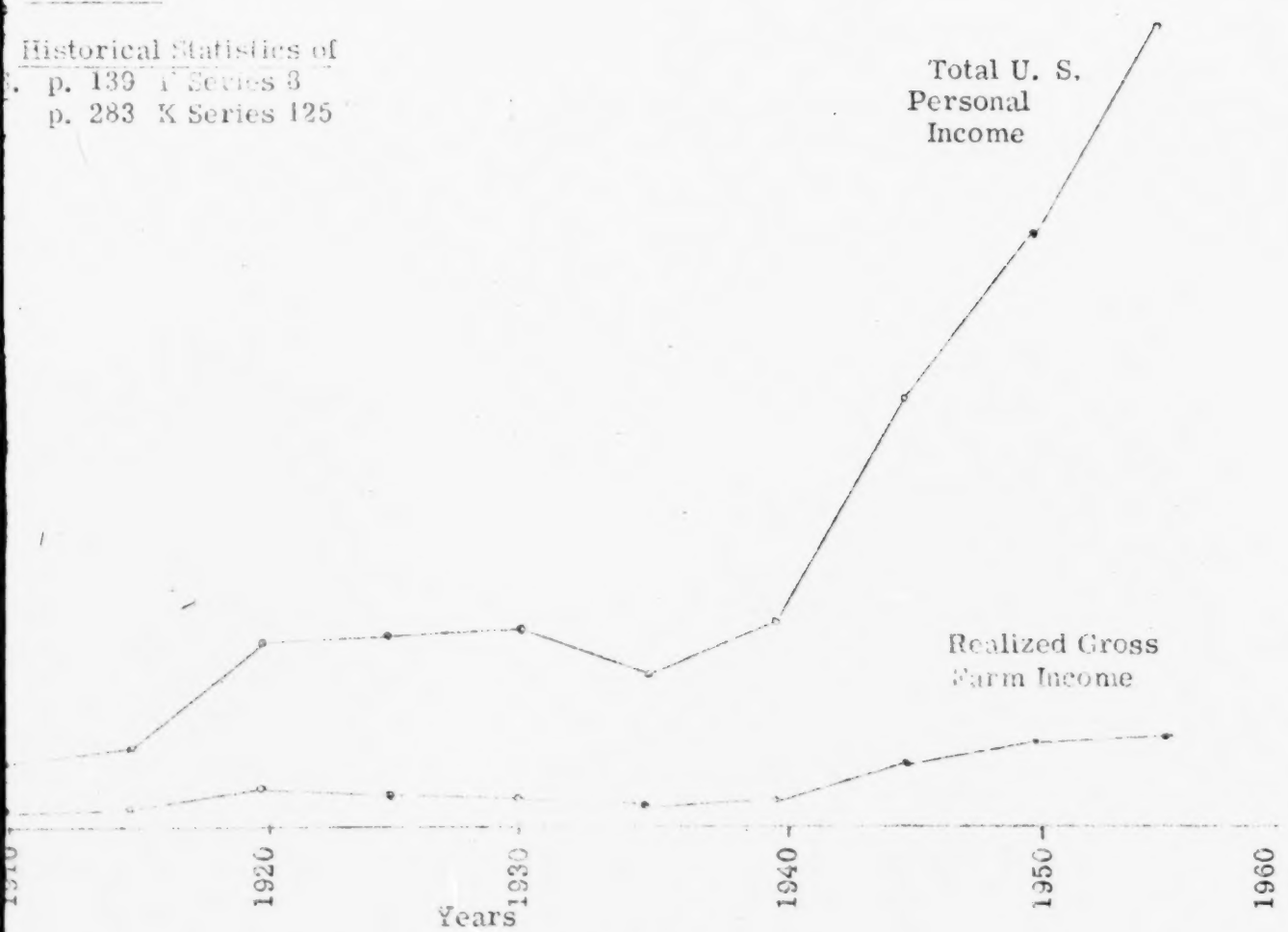
INCOMES

Source: Historical Statistics of the U. S. p. 139 F Series 8
p. 283 K Series 125



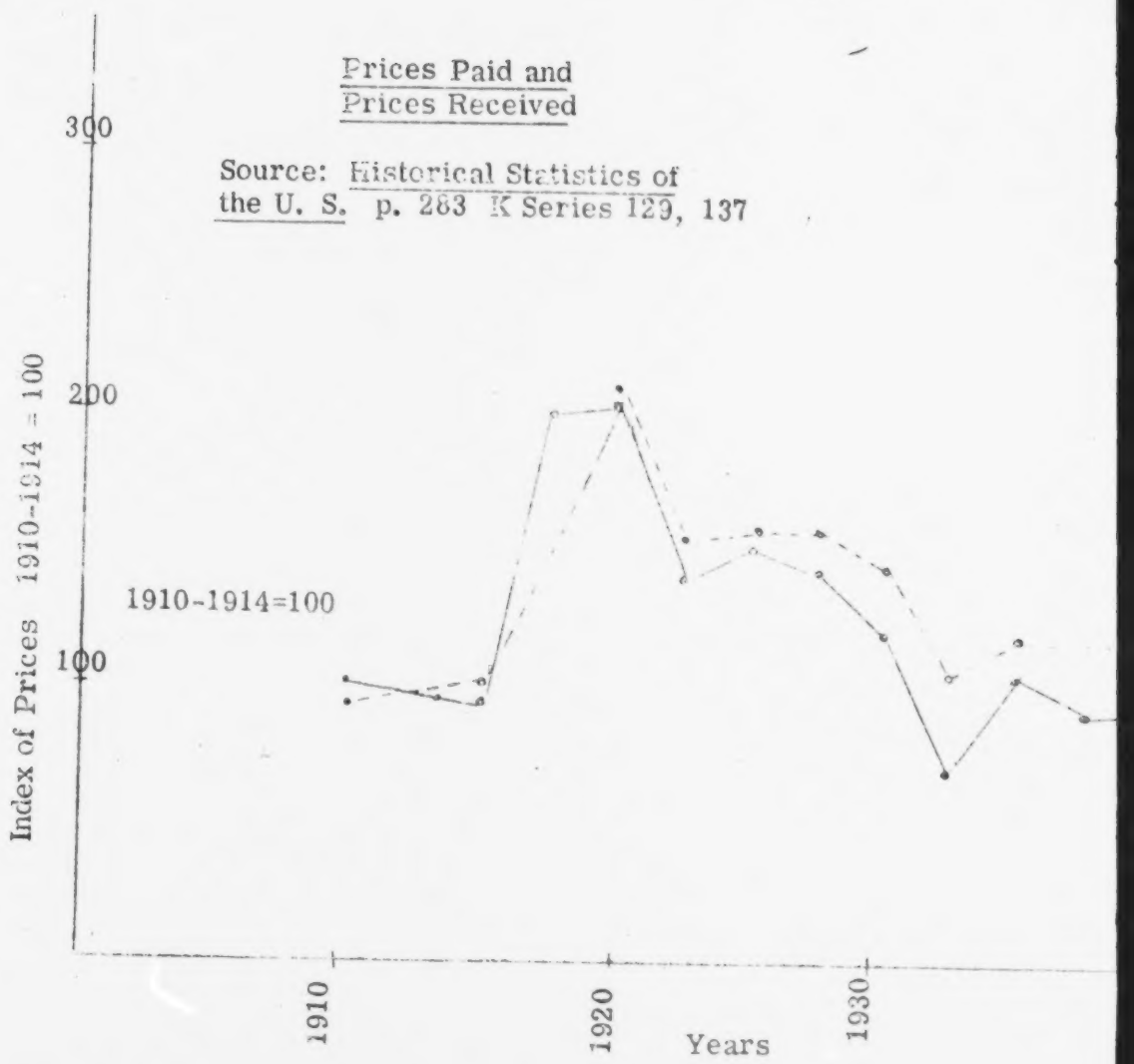
INCOMES

Historical Statistics of
. p. 139 F Series 3
p. 283 K Series 125



Prices Paid and
Prices Received

Source: Historical Statistics of
the U. S. p. 283 K Series 129, 137



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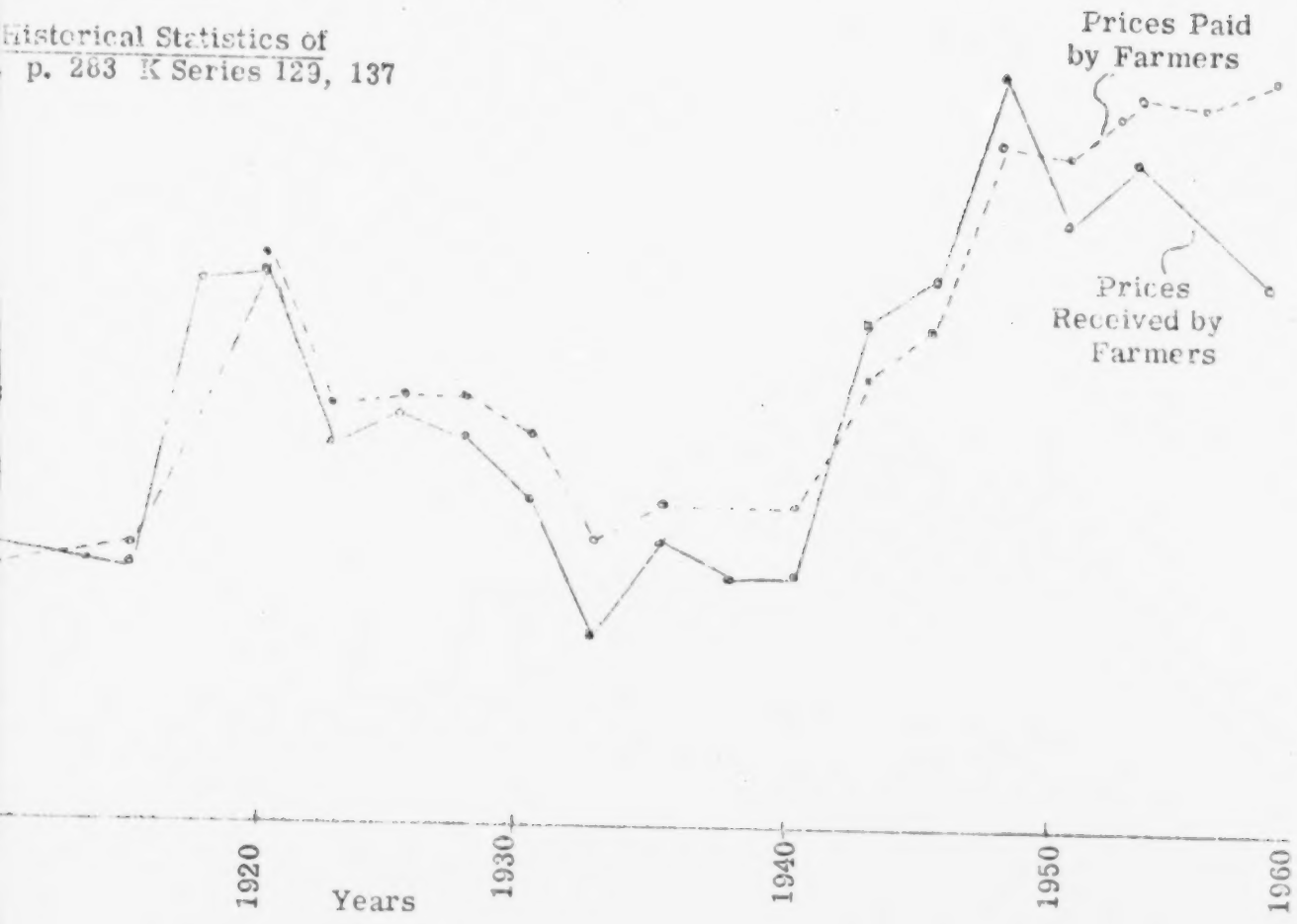
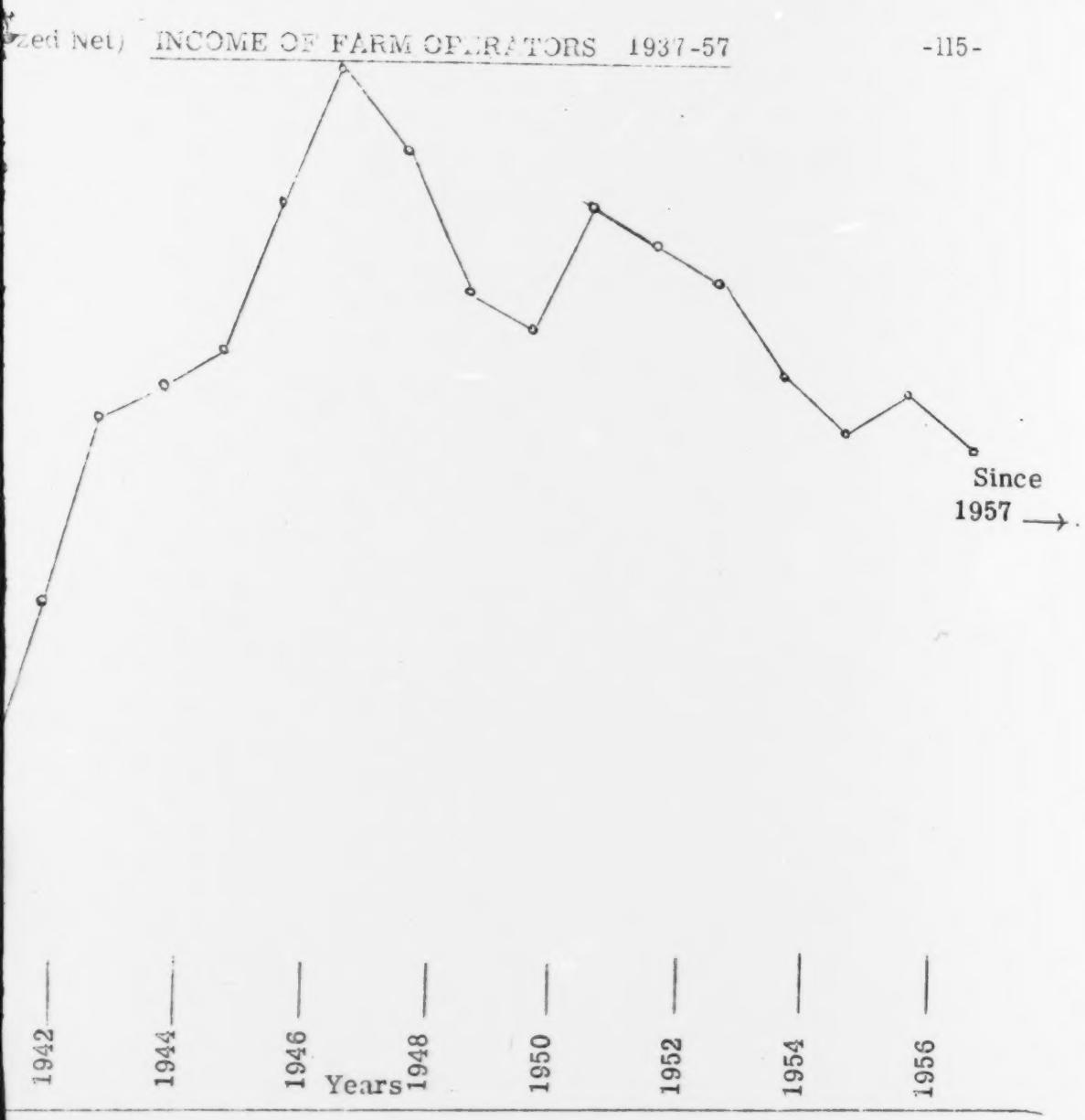


(Total Realized Net) INCOME OF FARM OPERATORS 1937-57


zed Net) INCOME OF FARM OPERATORS 1937-57
Since
1957
1942
1944
1946
1948
1950
1952
1954
1956
Years